FINANCIAL TIMES



Saddam Hussein Keeping the world guessing Edward Mortimer, Page 12

Douglas Hurd

Why Emu must be postponed

Reviving Assuit A terrorist base transformed

British schools Tough options on the chalk face

WEDNESDAY JANUARY 31 1996

Brussels plan to vet mergers faces hostile reception

Controversial plans by the European Commission to extend its control over the vetting of company mergers are likely to get a rough reception from member states when they are unveiled today.

Brussels officials believe too many mergers affecting the EU's single market fall outside the scope of the Commission's merger taskforce. Page 14; Dispute at EU over contract tendering, Page 3

Chance of US rate cut is lifted: Unexpectedly weak ecocomic data on consumer confidence and sales increased the chance of an early cut in US est rates rose raised. The figures were released as the Federal Reserve began a two-day strategy meeting. Page 14; World stocks, Page 36

Electrolux, the Swedish company that is world's biggest maker of household appliances, painted a gloomy picture about its prospects in the first half of 1996, saying consumer confidence remained fragile in its main markets. Page 15

UK spending cuts opposed: UK chancellor of the exchequer Kenneth Clarke warned against big long-term cuts in state spending and any pre-election commitment to a referendum on a European single currency. Page 9; Hurd interview, Page 13

PJR Nabisco, US tobacco and food group under sure to spin off its food business, marked the end of a poor year for profits growth by reporting fourth-quarter net earnings of just \$33m, against the comparable period's \$29m. Page 17



(left) is due to fly to Washington today hoping to put behind him the diplomatic damage caused by French nuclear tests in the Pacific and present a more constructive image of his country's security policy. He will reaffirm his keenness for an early

treaty and discuss with President Bill Clinton the implications of France's new-found willingness to co-operate more closely with Nato. Page 3

Apple Computer: Shares in the struggling personal computer company lell sharply as inves-tors' hopes of an imminent takeover bid faded. Rumoured talks with Sun Microsystems, leading computer workstation manufacturer, are believed to have ended without agreement. Page 17

Bouygues, French conglomerate, revealed big provisions for its industrial holding, telecoms and property businesses, forcing it into losses of about FFribn (\$780m) for 1995. Page 16

Chernomyrdin favoured: Russia's liberals, who leel betrayed by President Borls Yeltsin's lurch towards nationalist hardliners, want Victor Cherno myrdin, the moderate prime minister, to contest June's presidential elections. Page 3

Samuel Goldwyn: Negotiations over the future of the debt-laden Los Angeles film company have run into difficulties with the reported withdrawal of a partial offer from PolyGram, a subsidiary of Philips of the Netherlands. Page 17

EU backtracks on human rights: European Union states have secretly watered down provisions on human rights and democracy in Turkey which formed an intrinsic part of a Ecu375m (\$443m) aid package for the Ankara government. Page 3

Engineering recovery 'to carry on': The recovery in the world's engineering industries is expected to continue into 1997, according to a United Nations report. Page 4

Boost for Chinese airports: China is accelerating the expansion of its airport network to cope with a continuing surge in passengers num-bers, but has placed a ceiling on new aircraft orders this year of 27. Page 7

Record jobiess rate in Japan: Japan's unemployment rate stagnated in December at a record 3.4 per cent, but the government greeted a slight improvement in the labour market as a sign of better times ahead. Page 6

Blast kills miner: One miner was killed and eight others were missing after an underground explosion at a gold mine near Carletonville west of Johannesburg, South Africa.

Switching off, dropping out: Only 35 per cent of top managers at big companies rate the internet as an effective business tool, according a survey for the International Visual Communication Association and Japanese electronics giant Sony.

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O THE FINANCIAL TIMES LIMITED 1996 No 32,896 Week No 5



Unions oppose public sector staff cuts Rexrodt sees boost for jobs

German 'action plan' under fire

By Peter Norman and Judy Dempsey in Bonn and Andrew Jack in Paris

The German government's long awaited 50-point "action programme" to boost growth and jobs was criticised yesterday by trade unions and met a luke-

warm response from industry. Unveiling the packaga, Mr Gunter Rexrodt, economics minister, said supply side reforms to improve conditions for investment and employment were at the heart of measures to halve Germany's 4m jobless total by the end of this decade.

in a "co-ordinated action", Germany finalised its package of measures on the same day the French government announced steps to boost demand.

The Bonn plan, approved by the cabinet yesterday, set out to encourage entrepreneurship and business atart-ups and reduca public spending's share of gross domestic product from just over 50 per cent to 46 per cent by 2000. Mr Rexrodt, who headed the cabinet committee that drew up the Bonn government programme, described the measures as "a vitamin shot to bolster inherent strengths" in the Ger-

low growth and rising unemployment this year, However, trade unions mada clear their opposition to proposed reductions in public sector per-sonnel while officials in German states indicated they were unhappy over planned cuts in

man economy which is facing

local business taxes. Mr Rexrodt said that while some of the measures were tough, there was no intention to dismantle the country's social security system. The plan included measures to ease the taxation burden on business, promote deregulation and privatisa-



Günter Rexrodt (right), Theo Waigel (centre) and Labour minister Norbert Blum unveil the 50-point plan to boost growth yesterday

tion, lower subsidies, encourage investment funds and venture capital and strengthen research

In spite of growing doubts elsewhere in Europe, Chancellor Hel-mut Kohl's government also strongly reaffirmed its support for European integration and starting economic and monetary union in line with the Maastricht treaty timetable on January 1

Giving the German programme an added European Davour, Mr Theo Waigel, finance minister, disclosed that Bonn's plans had been discussed with the French government on Monday before

Mr Jean Arthuis, French finance and economics minister said Germany and France had discussed their measures and the two countries agreed that their problems grose from "a pause in the growth cycle. Activity should return in the two countries In a stronger way during the second half of 1996."

The French measures were aimed at boosting consumption, cutting interest rates and belging the construction and public works sector of the economy. One of the most important gestures was the first reduction for

Page 12 Editorial CommentPage 13 Page 14 product the proceeds of which

Hidden champions take

German package fails to

relaunch economyPage 2

are used to fund the construction of low-income housing, by 1 per-centage point cent to 3.5 per cent. The announcement was followed by a concerted move to cut 10 years in the tax-free interest rate offered on the "Livret A", a base rates by 0.5 of a percentage point to 7 per cent among the key tax-free national savings

increasingly fierce competition

between importers in Japan.

imported vehicle registrations in

Japan rose for the third consecu-

tive year and reached a record

388,162 units last year, with car imports up 31 per cent to a 10 per

favourite among fashion con-

The Volkswagen Golf is a

cent share of the market.

country's commercial hanks, which had become increasingly critical at the unchanged Livret A rate as the returns on other vestment products fell.

Other measures, such as a change in the rules governing early retirement to safeguard the financing of Germany's "pay as you go" pension system, have still to be clarified in talks between the government, employers and trada unions.

Financial markets were apparently unmoved by the package. The Dax stock market index in Frankfurt finished slightly lower, while the dollar closed at DM1.4899 in London, compared

year, registrations rose 32 per cent to 27,028, giving Volkswagen

10 per cent of the imported car

climbed 21 per cent and the Mon-

deo rose over 170 per cent. How-ever, at 6,418 units, it still lagged

far behind the Golf.

US-made Ford registrations

Hanson to break up his empire into four companies

By Clay Harris, Norma Cohen and David Wighton in London

Lord Hanson, who built up one of the world's leading industrial conglomerates through three decades of takeovers, is to break it up before he leaves the corpo-

rate stage.

Hanson – his namesake company and Britain's 13th largest listed group at yesterday's £11bn (\$17bn) markat valne – amounced plans to split into four parts by the end of this year. Investors will receive shares in each of the companies.

The move follows aimilar demercer announcements by US

demerger announcements by US companies such as ITT and AT&T, and Hanson'a own spin-off last year of US Industries.

Lord Hanson, 74, said yester-day: "We are making this excit-ing and radical move to create even greater management and growth opportunities.

The four companies will be:

Energy, to include Peabody, which mines coal in the US and Australia, and Eastern Group, the UK electricity company. It will be listed in London and New

York. • Imperial Tobacco, the world's 22nd largest maker of cigarettes, to be listed only in London, Both it and the energy company will be chaired by Mr Derek Bonham. Hanson's current chief executive and deputy chairman. Chemicals, in a New Yorklisted company incorporating

SCM and Quantum. Building materials and equipment. This rump company will also own Hanson's 12.5 per cent stake in Britain's National Grid Group: Lord Hanson intends to remain chairman of this company until be retires in 1997. Lord White, his long-time busi-ness partner, died last year.

The choice of successor to Lord Hanson had been one shadow year-old son, Robert, already a director of the group, will also stay with the rump company. One leading investment man

Continued on Page 14 Editorial Comment, Page 13 Observer, Page 13 Lex, Page 14 Reports and analysis, Page 18

Ford infuriates rivals with Japanese adverts

Ford, the US car manufacturer. has provoked an unseemly spat with its European competitors in consensus-conscious Japan by taking out advertisements in main newspapers suggesting that rival vehicles are overpriced.

"Why is golf expensive in Japan?" Ford asks in an advertisement featuring the popular Volkswagen Golf perched on a golf tee. Ford admits that the play on words is intended to suggest that the price of a Volkswagen Golf is as high-priced as playing golf in a country with famously expensive green fees.

European manufacturers have missed the joke. "It's absolutely infuriating," said one. "Ford has only just started to invest in the Japanese market while European car companies and other US companies have worked hard to develop the market. And bere somebody comes in at the last



Why is golf expensive in Japan!? the Ford advertisement asks

Ford campaign was "a classic latecomer's" strategy. "Ford is trying to create a differentiation through price because they have been unable to establish a quality image in the mind of the Japanese consumer."

Several European car companies are considering a formal

curate information. But Ford plans further attacks.

According to the Ford advertisements, European cars, such as the Golf, allegedly cost more in Japan than in Europe. The Golf, according to Ford, is ranked in the lower-medium class of cars but in Japan costs more than the Ford Mondeo, which is one rank above it in the medium class.

The Ford Mondeo "is the first European car to be introduced into the Japanese market at the same price as it aells in Europe...Ford is different from those European manufacturers who suddenly put up their prices when they sell their cars in Japan", the advertisement says.

Volkswagen in Japan said the price comparisons did not take into account the differences in equipment offered. In Germany, air conditioners, airbags and an anti-lock braking

Murdoch loses bidding for Olympic television rights

By Raymond Snoddy

The television viewers of Europe will be able to watch the summer and winter Olympic Games on terrestrial "free" television at

least until 2008. The international Olympic Committee said yesterday lt had agreed a \$1.442bn (£900m) deal with the European Broadcasting Union, the body that represents the public broadcasting of Europe, North Africa and the In addition a "profit-sharing"

The deal with the EBU, which has held the European broadcast-ing rights to tha Olympic Games since the Rome Olympics of 1960, effactively sbuts out Mr Rupert Murdoch's News C

Letters .

Observer

sum is to be be added to the total

A bld signed by Mr Sam Chisholm. chief executive of British Sky Broadcasting, the satellite television venture, and underwritten by News Corporation ear-lier this month, offered \$2bn for the European Olympic broadcasting rights up to the year 2008. The IOC has already sold US

and Australian rights up to the year 2006 to NBC, the US net

work company, and The Seven Network of Australia It is the first time that broadcasting rights have been sold so far in advance. News Corporation yesterday accepted the decision of the Inter-

national Olympic Committee. Mr Murdoch will not try to challenge the decision under European Union competition law.

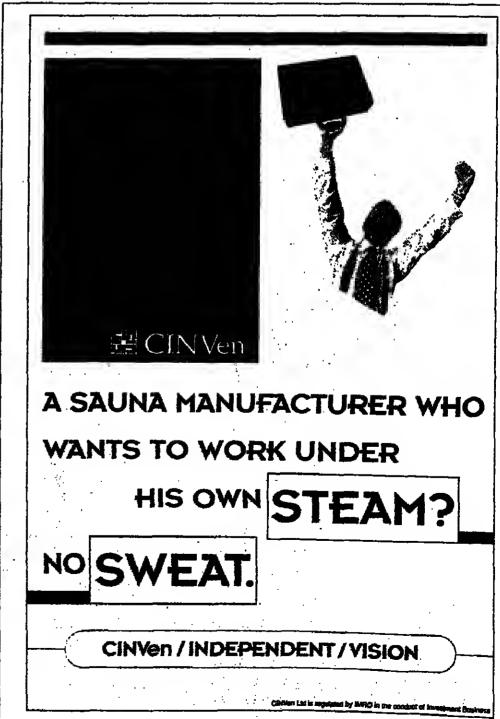
the broadcaster of its choice. Rights-holders are well able to make their own decisions with regard to the relative merits of financial bids and the extent and the quality of the coverage," the company said.

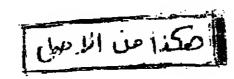
The effect of the \$2bn Murdoch bid has almost certainly been to push up the amount the EBU has had to pay to gain the rights. The European broadcasting rights to the Sydney Olympiad in 2000 will cost the EBU \$350m and the 2002. Winter Olympic Games in Salt Lake City \$120m.

It is believed the original EBU bid for Sydney was \$250m and that \$20m had to be added to the

Corp. "N	lews Corporation respe	cts the (Continued on Page 14
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Salt Lake City bid. The EBU said yesterday that





More questions than answers in 'action programme' for investment and jobs

German package fails to excite

At first glance, yesterday's 50-point "action programme for investment and jobs" agreed by the cabinet in Bonn appears quite impressive.

But on closer inspection, it isreminiscent of the many eco-nomic stimulation packages announced by successive Japanese governments and many of the, proposals bave been

flagged already.
Others still need to be agreed inside the Bonn coalition. Where there has been a clear cabinet decision, many proposals will have to be negotiated not least with the opposition Social Democrat party (SPD) which controls the Bundesrat, tha upper house of parliament, representing the Länder

Chancellor Helmut Kohl's government has set the ambitious goal of halving unemployment by tha end of the decade. This will be far from easy. Twelve months ago, the government's 1995 economic report forecast a 300,000 fall in unemployment last year - it rose by 231,000 between December 1994 and last month.

published vesterday, envisages an increase in average unemployment to 3.9m from 3.61m in 1995. A measure of the gover-ment's difficulties will come next week when official figures are expected to show Germany's jobless total topping 4m - more than one in 10 of the labour force.

Moreover, the cabinet that agreed yesterday's package is the same body that last year agreed to liberalise shopping bours only to delay implementation until after important state elections in March. This was because of dissent among parliamentarians of Mr Kohl's Christian Democratic Union. The planned abolition next

January 1 of the local trading capital tax - a levy which Mr Theo Waigel, tha finance minister, calls a fossil - was in yesterday's package, and had been on the minister's agenda last year. He failed to eliminate the levy at the beginning of this year because of SPD opposition in the Bundesrat.

The Social Democrats have signalled opposition to the plan, announced on Monday, to reduce from the middle of next year the solidarity surcharge -The official forecast for 1996, a levy on income taxes to help

WHAT FUTURE HOLDS: KEY FORECASTS FOR 1996 % change in real terms on previous year*

	1994	1995	1996
Gross domestic product	2.9	1.9	-1.5
Western Germany	2.4	1.5.	1.0
Eastern Germany .	8.5	. 6.3	4 to e
Domestic demand	2.8	1.8	1.5
Private consumption	0.9	. 1.3	2.0
State spending	1.2	- 20	1.5 to 2.5
investment	4,3	1.8	-2 to 1
Corporate	0.7	1.3	2 20 3
Housing	13.1	3.7 .	3.5 to -4.5
State	-0.6	-1.5	0 to -2
Exports	.7.5	3.7	3.5 to 4.5
Imports	7.1	- a.1	5 to 4
Consumer price inflation	2.8	. 20	.2.0
GDP deflator	2.3	2.2	2.0
Unemployment rate (% of labour force)	9.6	9.4	10
Average unemployed (thousands)	3,898 .	3,612	3,900
Public sector deficit (DMbn)	86.8	123.6	125 to 135
Dublin service definit (se % of CDD)	. 98	. 28	3.5

pay for German unification. No sooner had Mr Waigel agreed with Mr Wolfgang Ger-hardt, leader of the Free Democrat junior partner in the coali-

tion, to reduce the levy than a

howl of protest went up from

state premiers and finance ministers. The planned cut to 5.5 per cent from 7.5 per cent will require the states to meet DM3bn (£1.3bn) of the expected DM4bn cost next year. Nor were the protesters confined to the opposition SPD. Bavarian state politicians from his leading ministers and rep-Mr Waigel's own Christian resentatives of the employers Social Union were yesterday and trade unions. critical of the compromise.

With kay elements of the

government's strategy for

curbing non-wage labour costs

still obscure, it is difficult to

judge how far trade unions and employers will eventually sup-

port the package. The government has invested much hope in the "alliance for jobs", initially proposed by Mr Klaus Zwickel, the head of the powerful IC Matall trade wines and

ful IG Metall trade union, and

its promise of new jobs in

return for wage restraint. This, Mr Gunter Rexrodt, the eco-

nomics minister, said yester-day, was an "incredibly impor-

However, reactions from the

trada unions to yesterday'a package were anything but

encouraging while the employ-

The 50-point programme raises as many questions as ft

provides answers. The fear

must be that its publication

will mark the beginning of months of trench warfare

rather than serve, as Mr

Rexrott hopes, as a signal that will boost business confidence,

investment and employment.

ers were lukewarm.

tant step".

While the SPD's ability to block a significant portion of government legislation means that much of yesterday's pack-age will be subject to negotiation, other parts still have to be clarified or nagotiated within the coalition or with other involved groups.

Tax incentives flagged in yesterday's package to encourage the establishment of new companies have still to be worked out among experts and with representatives of the main business lobbies. However, Mr Waigel yesterday insisted that there were no differences among coalition politicians on this issue

More worrying was the absence yesterday of a clear plan for curbing early retire-ment, which has crippled the finances of the Federal labour office and the state pension scheme and contributed to Germany's very high non-wage

labour costs. This difficult issue is due for discussion on February 12 in the latest of a series of meetEUROPEAN NEWS DIGEST

New premier for Bosnia

Bosnia's prime minister, Mr Haris Silajdzic, left the government yesterday after months of bettling with the ruling Social Democratic Action party (SDA). His successor, Mr Hasan Muratovic, minister in charge of United Nations relations, was voted in yesterday. Mr Muratovic who will lead an interim government until elections later this year.

The new republican government of Bosnia-Hercegovina has been cut from 12 to five ministries. This was the issue which caused Mr Silajdzic to resign both as premier and from the caused Mr Silajdzic to resign both as premier and from the party. He had wanted the government, which represents the whole of the state and will include a representative of the Serb entity following the elections, to be a central unifying power. The SDA and the leading Croat party, the HDZ, however, have raised the relative political importance of the Bosnian-Croat Federation government, which they jointly dominate, by woting the scale down the republican solventment. Mr Silaidzie voting to scale down the republican government. Mr Silajdzic is expected to form his own party.

Harriet Martin. Sarajevo

Stand-off over Aegean island

Warships from Turkey and Greece yesterday warily circled the 4 hectare east Aegean island of Imia, which the two Nato members claim. Each demanded the other pull back, but showed no sign of doing so, Ankara summoned the Greek ambassador to demand "the immediate withdrawal of Greek white form around the uninclaim to the immediate withdrawal of Greek ships" from around the uninhabited island, which lies between the Turkish coast and the Greek island of Kalymnos. Mr Costas Simitis, who took office as Greek prime minister this month, earlier issued a warning that Greece would not hesitate to defend Imia, which Athens says was ceded to Greece by Italy in 1947.

The conflict began last week after the captain of a Turkish ship that ran aground on the rock refused to let a Greek tug assist it, saying the territory belonged to Turkey. Since then, Turks and Greeks have planted their own country's flag there, ripping down those of their rivals.

New rules for German telecoms

The German cabinet yesterday approved a law to regulate a liberalised telecoms market after 1998. Approval had been delayed by a tussle between two ministers over control of the regulatory authority. Mr Günter Rexrodt, economics minister, has won the argument but was forced to compensate Mr Jürgen Rüttgers, research and technology minister, with control over preparations for the Expo world fair in 2000 and another agency which approves industrial standards.

The law receives its first reading in parliament tomorrow

and officials in Boun hope it will be passed by June. Meanwhile, the monopoly commission urged the government to press ahead with full-scale privatisation of the electricity utilities which are boping to become leading telecoms operators. The commission said competition in the German telecoms market would only be effective if companies such as RWE, Veba and Viag no longer had regional electricity monopolies.

Michael Lindsmann. Bonn

Conductor quits in culture clash

Mr Gerd Albrecht, the German chief conductor of the Czech Philharmonic Orchestra, resigned yesterday after a long and bitter artistic row that became inextricably linked with a recent sharp deterioration in Czech-German relations.

Mr Albrecht was distrusted by the Czech cultural establishment for allegedly neglecting works by tha Czech composers Smetana, Janaček and Dvořák that are at the beart of the orchestra's repertoire. He also became embroiled in disputes with the culture ministry over money and with President Václav Havel. He struck a further discordant note by accusing Czechs of cultural chauvinism and claiming to be a victim of anti-German feeling.

The row became increasingly political at a time when Prague and Bonn are deeply divided over a joint declaration that would finally settle issues lingering from the Nazi occupation of Czechoslovakia and the expulsion of 2.5m Sudeten Germans in 1945. Vincent Boland, Vincent Boland, Prague

Italian newspaper price probe

Italy's anti-trust authority has asked the country's media watchdog commission to investigate whether the daily newspapers are operating a price cartel. Newspapers prices were notionally liberalised in 1988.

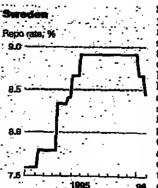
However, the authority yesterday released a table showing that the first three years of the liberalisation, only one newspaper adopted a different price, the business paper Il Sole 24 Ore, and this was in the third year. Even today, the prices are only different in the case of Sole 24, and the best-selling sports daily Corriere dello Sport, though a new four-page daily broadsheet, Il Foglio, was launched at L1,000 (41 pence) by Mr Giuliano Ferrara, main speech writer for former premier Mr

Profits have been undermined by steep increases in newsprint costs and ever more burdensome staff overheads in

Berlusconi denial on Mafia cash

Mr Silvio Berlusconi, the former Italian prime minister. yesterday denied before a court in Catania, Sicily, that the Standa stores chain in his Fininvest business empire had ever received threats or paid protection money to the Mafia. He was a witness at a trial at which the public prosecutor claimed all the other big stores in the city had paid protection money. Standa's main store in Catania suffered an arson attack in January 1990 causing L14bn (£6m) of damage. Subsequently a Catania Mafia member claimed the attack was designed to force Standa to pay protection money and buy foodstuffs from Mafia-controlled companies. The same person also alleged a Berlusconi aide had met the dominant Santapaola clan – a

claim denied by Fininvest. **ECONOMIC WATCH**



by the Riksbank since August 1994. Publication of proposals earlier this month by Mr Göran Persson, the finance minister and prime minister in waiting, for increases in welfare payments, tax rises and extra

steady.

Hugh Carnegy, Stockholm
Average unemployment in the Netherlands fell to 538,000 or 8.1 per cent of the workforce in 1995 from 547,000 (8.5 per cent) the year before, according to the central statistics bureau's

■ German engineering orders fell 10 per cent in real terms in December from a year earlier, the industry association said. In the final quarter of 1995 orders were 8 per cent lower.

ENCOURAGING ENTREPRENEURS

Moves to help people set up in business

When Mr Günter Rexrodt, the economics minister, stood up yesterday to present the government's package on jobs and investment, the first thing he focused on was how to strengthen the entrepreneurial

spirit in Germany.
This is an issue close to Mr Rexrodt's heart. He believes Germany's culture of self-reliance, initiativa and independence is under-developed and, as he pointed out, an average of four jobs are created

These businesses, whether they be the Handwerk, the crafts and trades sector, or the Mittelstand, Germany's small and medium-sized companies. are still considered the backbone of the country's economy. Mr Rexrodt said they needed the opportunity to find backing from financial institutions.

The cabinet agreed that DM1bn (£446m) should be made available as venture capital through banks and other financial institutions. Venture capital is hard to find in Germany. and many medium-sized companies rely entirely on family

The cabinet also proposed that a further DM1bn be made available for companies which are fundamentally competitive but are experiencing tempo-rary liquidity problems. The aim is to provide a kind of safety net in an attempt to make Germans less averse to risk-taking and branching out

on their own. Ministers also favour the use of tax breaks to encourage entrepreneurship. Those prepared to take the risk of setting up a company would be given income, trade and company tax concessions over a three-year period, or the possi-bility of setting off investments against tax. The government will finalise details during the first quarter of this year. The Handwerk would be sub-

ject to less red tape and "superfluous" regulations would be scrapped to encourage individuals to set up in business.

The government also intends to encourage risk-taking in another form: through reducing subsidies, increasing the number of companies to be privatised, and introducing deregulation, especially in the electricity sector.

The uncompetitive coal sec-DM8bn annual subsidies scrapped or sharply reduced after 2000, even though this would probably mean job losses and would be resisted fiercely by the Social Demo-crats (SPD). However, there are no subsidy cuts proposed for the influential agricultural

Also high on the agenda is deregulation of the electricity and gas industries, where a few large companies enjoy a monopoly in supply and distribution of energy, and charge industrial and domestic bousehold some of the highest energy prices in Europe. The cabinet is anxious to have a draft law on the table early this year despite strong opposition from the sector and the

Some of the country's airports, including Cologne/Bonn and Hamburg, will be priva-tised and the long-standing plan to sell off Lufthansa, the national airline carrier, will be revived. The remaining 34 state-owned enterprises in east Germany will also be sold off.

In addition, the government still hopes to push Lånder (states) and municipalities towards contracting out or privatising local services, such as rubbish collection.

LABOUR COSTS

Social welfare bill to be tackled

By Judy Dempsey

A two-pronged strategy aimed at reducing non-wage labour costs and increasing employment, was presented yesterday by Mr Norbert Blum, the social affairs minister.

Social welfare contributions, shared by employers and employees, are rising this year to 41 per cent of labour costs from about 39 per cent last year, and are considered a significant brake on competitive-

Mr Blim said the government aimed to cut this below ing for "evolution, not revolution", he ruled out any radical change to the social welfare system and claimed that the country's expensive pension provision was the best in the

Even though the contribution by employers and employ-ees to social welfare costs is high, the state pension insurance scheme is running a deficit of DM10bn (£4bn). By the time the younger generation reaches retirement age, there will be no money available to pay their pensions - the everincreasing ageing population will have emptied the kitty. One proposal floated yester-

day was to raise the minimum age - currently 58 - at which people can draw the state pen-

Mr Blum, who believes employers use early retirement to cut labour costs, has said that the 300,000 people who took advantage of it last year cost the social welfare system more than DM56bn -DMS6bn in pension contributions forgone and DM30bn in benefits being paid out.

On the employment front, Mr Blüm seemed moderately optimistic, suggesting that 850,000 jobs could be found in domestic service. But the opposition Social Democrats (SPD) are likely to resist such plans, believing these employees would have no social security or pension rights.

Mr Blüm also suggested

there was an increasing demand for part-time employ

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Finance minister Theo Waigel: aiming to reduce German public spending to 46 per cent of gross

EASING BURDEN OF TAXATION

Reform of tax system will come in three stages

By Peter Norman

A three-stage reform of Germany's complex and burdensoma tax system was a central element of the "action pro-gramme for investment and jobs" agreed by the Bonn cabi-

net yesterday.
Mr Theo Waigel, finance minister, said the government planned a "revenue neutral" reform of company taxes from January I, followed on July I 1997 by the two percentage point reduction to 5.5 per cent in the deeply unpopular "soli-darity aurcharge" agreed by coalition parties on Monday.

The third step, after the next German general election in 1998, will entail cuts in income and corporation tax rates and reinstatement of the smooth progressive upward nath in tax rates that characterised Germany's income and corporation tax systems until the

beginning of this year. The third phase tax cuts will be financed by eliminating concessions, broadening the tax base, and by strict public spending control.

Mr Waigel yesterday reaffirmed the goal of reducing public spending from just over 50 per cent of gross domestic

product to 46 per cent by the The government wants to ease the burden of direct taxation gradually.

Next year's planned corpo-rate tax reforms inclode abolition of the Gewerbekapitalsteuer local trading capital tax, which companies must pay even when they make losses, and lower local profit taxes to

help medium-sized enterprises. Wealth tax will be abolished from next January and inheritance and gift taxes reformed to ease the transfer of familyowned companies from one

Low-key announcement for government's plans

France unveils measures to relaunch economy

A second notable result of

By Andrew Jack in Paris

Many of the French government's measures, announced yesterday, for relaunching the economy, are less about significant new initiatives, and more about finetuning existing ideas - which will involve considerable questions of interpretation. The reforms, finalised late on

Monday night, were made public in a relatively low-key way. it was Mr Jean Arthuis, the economics and finance minister, who unveiled the details rather than Mr Alain Juppé. the prime minister. Who spoke about them on television later. Perhaps one of tha most

important measures was not part of the package at all. Mr Arthuis stressed that the government was determined to remain within "a few hillion" francs of its FFr322bn (£42bn) budget deficit target for 1995, and within tha "anvelope" voted by the French parliament for 1996.

To help achieve this in the light of allowing economic growth and falling tax revenues during the current year. he said that an extra FFr20bn in credits allocated in the 1996

negotiations held over the past few days ahead of publication of the details of the measures was a reduction announced yesterday afternoon by the country's leading commercial banks to lower their base rates. From the start of Fabruary they will come down by 0.5 per cent to 7 per cent, a move which should substantially reduce financing costs and could help boost consumption and industrial investment.

The quid pro quo was one of the central pillars of yesterday's initiatives. In line with growing speculation throughout January, Mr Arthuis said that the key tax-free "Livret A" national savings interest rate would be reduced from 4.5 per cent to 3.5 per cent. The action could prove risky,

since some 80 per cent of French households have Livret A accounts - available through the Post Office and the national savings bank network - and the last such cut in 1986 provoked a sharp fall in the government's popularity. But the higher rates will be

preserved through schemes targeted at young people and

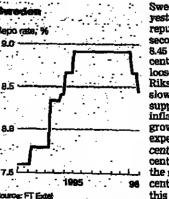
hose on low incomes. Mr Arthuis, echoing the commer-cial banks' concerns, argued that the rate had become out of step with the returns available on other investment products, which have fallen steadily. He also stressed that the Liv-ret A was used to finance pub-

lic housing, and a reduction in the interest rate for savers would also reduce the cost of loans, helping organisations across the country to build more low-income accommoda-Among the other ideas announced to belp boost consumption was a 25 per cent tax

deduction for the first two years available on loans taken out to buy consumer goods. The markets' reaction to the French measures appeared pos-itive, with the CAC-40 index of leading quoted company shares closing up 1.13 per cent at tha end of the day.

Officials also argued that many of the measures announced in Germany yesterday matched programmes already taken in band in France over the past few months, including initiatives designed to belp small and

Sweden lowers its repo rate Sweden'a ceotral bank



yesterday cut its key repurchase rate for the second time this month to 8.45 per cent from 8.66 per cent. Tha cut underscored a looser monetary policy by the Riksbank as worries about slower growth have supplanted concerns about inflation pressures. Economic growth this year is now expected to fall below 2 per cent, compared with 3.5 per cent in 1995. The reduction in the repo rate from 8.91 per 96 cent to 8.66 per cent earlier this month was the first cut

spending to cut unemployment also upset financial markets still worried by Sweden's high debt levels. But the markets appeared to welcome yesterday's interest rate cut as a positive step. Long-term interest rates fell back and the krona was

annual labour market survey.

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contract tendering

The European Parliament is set to spike European Commission proposals aimed at ensuring a level playing field for EU and non-EU companies tendering for large public sector contracts in the Union.

The Parliament's monetary affairs committee last week rejected proposals to modify the EU's procurement laws to bring them in line with an international agreement which applies rules ensuring fair and open competition to more contracts and bidders than current EU rules, and under which companies failing to win a contract have the right to be told why.

The Commission has reacted furiously to the decision, which could be backed by a full vote of the Parliament

The EU, along with seven other countries, is signatory to international rules - the Government Procurement Agree-ment (GPA) - which provide guarantees of fair and open competition for public sector

The international accord gives EU companies access to Ecn450bn (\$570bn) worth of EU and reciprocal rights ment policy, not just those within the EU to companies covered by the GPA. The from the US, Japan, Canada, Commission's intention was to Korea, Israel, Norway and

The Commission believes changes to EU procurement directives are necessary to ensure EU companies are not discriminated against under GPA, which was negotiated under Gatt and came into force on January 1.

But the parliamentary committee, backed by a powerful industrial lobby, argued that the Commission's proposed changes went beyond the adjustments needed to comply with the GPA.

"It is true the legislation has to be adapted, but the Commistion wants too many changes. It is going too far," one lobby-

The Commission believes the campaign against the propos-als has sought to distort the scope of the changes. "Oppo-nents to the EU's liberalised procurement regime are sim-ply using the opportunity to attack the system," an EU official said.

The Commission appears to have incurred the wrath of argued that the proposed changes should apply to all sectors and aspects of procure-

create a level playing field inside the internal market. As a first shot it went for across the hoard changes," an EU

official said. Among changes being sought by the Commission was reduction in the threshold for some contracts to make sure that contracts advertised third-country bidders under the terms of the GPA, which are in some cases lower than in the EU, are also available to EU companies.

"Without this adjustment foreign companies would have rights and guarantees provided by the GPA which EU companies do not have under EU directives," an EU official

A change was also being sought to the rules governing "technical dialogue" - the pro-cess whereby utilities talk to potential suppliers ahead of

concluding a deal.

EU officials thought the Commission would be obliged return to the issue even if the Parliament voted against the proposals. "It is impossible just to leave a situation where foreign companies are better off than EU ones," the EU offi-

selli opera house in Bari.

Dispute at EU over Venice vows to restore La Fenice

Robert Graham and William Packer report on the aftermath of the opera house fire

he Italian government yesterday treated the gutting of Venice's historic La Fenice opera house on Monday night as a national disaster. Estimates put the cost of full restoration as high as L500bn (\$312m).

Offers of help poured in from all over the country to restore the 200-year-old opera house, a source of inspiration for Italy's main composers. La Fenice commissioned Verdi's bestknown works. Ricoletto and La Traviata. It also witnessed the debut of the late Maria Callas. The marble facade of La Fenice - which means phoenix -

was the sole part left unscathed Perhaps symbolically the gilt phoenix with a scroll over the entrance saying Gran Teatro la

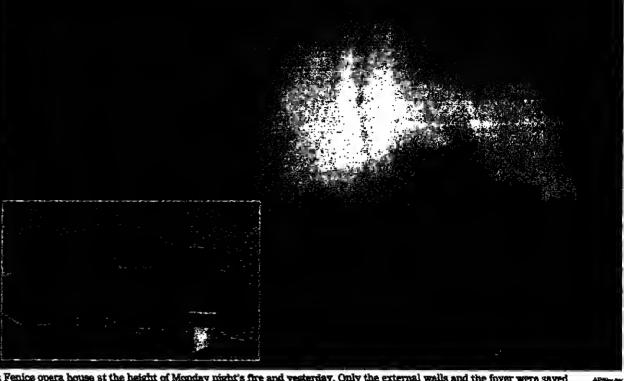
Fenice was not even singed. But the roof had collapsed, the interior reduced to mounds of charred smoking rubble; while the side walls were in a precar-Mr Massimo Carcieri, the philosopher mayor of Venice,

ing the damage. He vowed that the opera house would be fully restored as soon as possible. Luciano Pavarotti, the tenor

who had sung many of his favourite roles there, said: Tm distraught: it was our jewel." Firemen yesterday ruled out arson - the cause of the fire in 991 that destroyed the Petruz-

The theatre, owned and operated by its box holders, the Nobile Società - the Nobile Society - was in the final stages of a nine-month restoration. It was due to reopen in March with a Woody Allen

The fire broke out in a top floor storeroom connected to the theatre. Due to the large amounts of wood in the roof.



La Fenica opera house at the height of Monday night's fire and yesterday. Only the external walls and the foyer were saved

flames spread rapidly, causing the boxes that lined the walls to collapse. Within an hour the flames had virtually gutted the

700 seat interior.
Firefighting efforts were hampered by most of the canals closest to the Fenice having been recently drained for a clean-out. Firefighters used a helicopter to pick up water from elsewhere in the city and drop it into the

As flames rose on Monday night above the rooftops,

reflecting a warm rosy glow on the palaces around the Grand Canal, there were fears for other historic buildings. Sparks from the blaze rained down all around and burning embers were falling from the sky at the Gindecca Canal, more than 2km away.

La Fanice, a neo-classical masterpiece by Giannantonio Selva, who was active in Venice around the fall of the republic, means a great deal to the Venetians Completed in 1792 it had

rather was, not one of Venice's oldest monuments; but it was as beautiful as any. Byron described it as the finest opera house in Europe. During the Austrian occupa-tion, which lasted 50 years

already suffered a serious fire

in 1836, after which its interior was rebuilt. La Fenice is, or

after the Napoleonic wars, the theatre became something of a symbol of the passive resistance of the Venetians to their oppressors - even the grandest Venetians refused to take ing to appland the performances in a public demonstra tion which would not be labelled as subversive.

The state-run Venice opera company averages 12 produc-tions a year and the theatre also stages a distinguished pro-

gramme of concerts. The company is currently on tour in eastern Europe, Among the productions scheduled just after the opening in March was a new version of Mozart's Don Giovanni.

Chirac bids to rebuild French image in US

Tony Walker in Beijing and William Dawkins in Tokyo

President Jacques Chirac flies to Washington today hoping to put behind him the diplomatic damage caused by nuclear tests in the Pacific and present a more constructive image of French security policy.

internation

He will reaffirm his keenness for an early comprehensive test ban treaty (CTBT), and discuss with President Bill Clinton the practical implications of France's new-found willingness to co-operate more closely with Nato.

France has proposed to its Nato partners a political dialogue on the role of nuclear weapons, in a step back from its traditional insistence on total independence in nuclear

The US has warmly welcomed France's rapprochement with Nato and is keen to define the new French role in the alliance as soon as possible. But some diplomatic fall-out from docted in French Polynesia

of western public opinion and most governments in the region, appears to be lingering. Monday night's announce ment in Paris that nuclear tests had been completed drew a chilly response from the Jap-

anese government, suggesting that it will take some time for bilateral relations to mend. Mr Yukihiko Ikeda, foreign minister, reiterated criticisms of France for defying world opinion, and called on France "to contribute in a more active manner to conclude a CTBT at

the earliest possible time." Japan hoped negotiations on a test ban could largely be completed this spring, paving the way for signature to the autumn. The issue is likely to rank high on the agenda when Mr Chirac visits Tokyo later

this year. Japan's chief cabinet secretary, echoed Mr Ikeda's coolness. 'It is extremely regrettable that France conducted the nuclear tests in defiance of protests from our country and the international community," he said. China affirmed yesterday that it would continue its underground nuclear test programme until a test ben came

"The position of the Chinese government on nuclear testing clear-cut and remains unchanged," said China's offi-cial spokesman. "China has conducted a very limited number of nuclear tests and things will continue to be that way." Mr Chirac moved to repair France's battered image in the Pacific region by announcing annual payments of FFr990m (\$190m) a year for the next decade to French Polynesia. counter-balancing the effects of the removal of two military

He said the two uninhabited atolls of Mururoa and Fanga-taufa, on which the six tests were carried out, would be restored to "pre-test conditaken to help boost the local

Meanwhile, trade figures released in the past few days have shown that while there were calls for boycotts of French products, the economic effect on exports was more symbolic than substantive.

Liberals EU retreats on Turkish human rights Yeltsin

By Lionel Barber in Brussels

EU member etates have secretly watered down provisions on human rights and democracy in Turkey which formed an intrinsic part of a Ecu875m (\$476m) aid package for the Ankara government.

The retreat on human rights has provoked protests from the understood that the conditions were linked to its approval last month of the EU customs union with Turkey. Semor Brussels civil servants and representatives of the European Parliament were yesterday trying to defuse the dispute over human rights - the largest single problem in Turkey's relations with Europe.

The dispute is part of a broader power struggle over foreign policy between MEPs and the Council of Ministers representing the 15 member

The initial draft of the financial aid regulation - put for-ward by the European Commission and supported by the European Parliament allowed the Council to take action in the case of human rights violations in Turkey by

a qualified majority only. The Council has since watered down the human rights language substantially and made retaliatory measures subject to the far tougher hurdle of a unanimous Council

A second provision in the text states that: "They (the measures) shall he adopted for a limited period, which may be extended by a decision of the Council acting accord-

ing to the same procedure."

Mr Alex Falconer, MEP for Mid Scotland and Fife, last week wrote to the 15 EU for-eign ministries in protest at the altered text, expressing outrage that member states'

parliaments and citizens were being bypassed by the Council. "How bad will things have to get before all member states agree any action against Tur-key? It is likely to be an extremely rare occurrence. Any number of qualifications on human and democratic rights could be written into the Customs Union and the financial co-operation arrangement. The Turkish government could safely ignore them.

Council officials said yesterday the changes in the text were the legitimate prerogative of member states, and that the Parliament was chiefly interested in winning more powers on foreign policy, specifically via the right to be "consulted" efore any action by the Coun-

The officials pointed out that consultation with Parliament could lead to delay of up to two months, further cramping the Council'e ability to act deci-sively on EU foreign policy. But Mr Falconer said that many MEPs had only agreed to support the customs union with Turkey last month on the understanding that their human rights concerns could be accommodated in the text on financial aid.

The Parliament approved the customs union by 343 to 149, dropping earlier threats to veto the accord because of concern about Turkey's commitment to human rights and democracy.

urge prime minister to challenge

By John Thomhill in Moscoi

Russia's embattled liberals, who feel betrayed by President Boris Yeltsin's lurch towards nationalist hardliners, are trying to draft Mr Victor Chernomyrdin, the moderate prime minister, as a candidate for June's presidential elections. Izvestiya newspaper said yes

terday that democratic groups in St Petersburg were already rallying to Mr Chernomyrdin's cause. It also suggested the political council of the Our Home is Russia movement, which contested last month'e parliamentary elections, would decide by February 10 whether to back a presidential bid by its leader.

Mr Chernomyrdin, who is in Washington to discuss a \$9bn International Monetary Fund loan, has publicly rejected the possibility of running against Mr Yeltsin, should the president decide to seek re-election. But it is thought that he may yet decide to break with the vet decide to break with the president - especially if widespread rumours that he will

soon be sacked are borne out.
Mr Yeltsin yesterday
strengthened the impression he will seek re-election by calling for a "non-aggression pact" with the communist-dominated parliament. Mr Yeltsin says he would announce whether he will run by February 15.

It would be an ironic twist if

the liberal parties rallied around Mr Chernomyrdin as their saviour. He was castigated by those same pro-market reformers, when he succeeded Mr Yegor Gaidar as prime minister in 1992, as being too conservative



recovery set to continue

The recovery in the world's engineering industries is expected to continue into 1997, especially for investment goods such as machine tools, robots, computers, office mschinery telecommunications, according to a report by the United Nations Economic Commission for Europe*.

After dipping to a recessionary low in 1992, the engineer ing industry worldwide recorded growth of more than 6 per cent in 1994. Forecasts for individual industries suggest continued bnoyant expansion between 1995 and 1997, the report says.

Although most forecasters have downgraded predictions for overall economic activity last year and this, the ECE notes that sustained high investment is creating bright prospects for much of the engi-

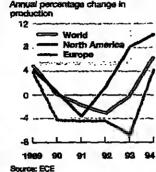
neering sector.
Thus the semiconductor industry is predicting 26 per cent growth in production in 1996 after 40 per cent last year. while sales of personal comput-ers are forecast to rise 16 per

However, the US aircraft industry is still in a slump and demand for motor vehicles will remain sluggish, the report

Despite the surge in production since 1992, engineering companies in the US and Europe have not expanded employment since they under-took drastic restructuring measures to cut losses and improve profitability in the recession. This has led to some spec-

tacular productivity increases, the ECE points out. US examples cited include Microsoft, which boosted sales per employee by 45 per cent between 1990 and 1994, Texas Instruments (96 per cent), Ford

Engineering industries



(43 per cent) and AT&T (30 per

Nor were European companies laggards in this respect. Sales per employee rose 39 per cent over the same period at Daimler-Benz, 71 per cent st Volvo and 81 per cent at Elec-

In Japan, by contrast, companies hung on to labour during the recession with the result that productivity plunged. Toyota and Mazda. the motor manufacturers, saw sales per employee fall by nearly a quarter, while in the electronics sector NEC suffered a drop of 37 per cent and Toshiba 31 per cent.

The report also notes that Japan's export industry is far more heavily geared to engi-neering than elsewhere. More than three-quarters of Japan's total goods exports in 1994 originated from the engineering sector compared with just over half for the US and Germany. The latter countries also had much higher ratios of engineering goods imports.
*World Engineering Industries

ond Automation: Performance and Prospects 1994-96 (Sales No. E.96.IL.E.5), from UN Sales Sec tion, Palais des Nations, CH-1211 Geneva 10, 375.

Engineering | Terrorism in retreat in Upper Egypt

Curfew-free Assuit prepares to welcome tourists back, says James Whittington

A ssuit, the provincial capital of Upper Egypt, no longer lives up to its reputation as a hot-bed for dangerous Islamic militants. A mixture of iron fist security operations, increased money for development, and attractive investment incentives are working to transform the town from a terrorist base to a revitalised centre for commerce

and industry. The dawn to dusk curiews have long been lifted, Egyptian special forces have moved on to other trouble spots, and what was only last year s no-go area to foreigners is readying itself to welcome back tourists.

"We've turned our back on the past and are focused on one main objective: To get people to Assuit for investment. This is the only way we can avoid a repeat of what's happened here," says Mr Radrie Abu Hussein, general secretary of the town's reverserate of the town's governerate.

As a sign of the times, Assuit's new governor, Mr Mohamed Ragai al-Tahlawi, who was appointed last week, was taken from the town's university rather than the ranks of the police like his predeces-

Located on the broad fertile plains of the Nile, 375km sonth of Cairo, Assuit is typical of

Upper Egypt which has a distock place of the militant the Gamma's vowed to over-tinct character from the rest of group Gamma's al-Islamiya throw President Hosni Mubar-

After decades of neglect, the region is generally poorer and less developed than the rest of the country. Per capita income, at about \$330 a year, is about half that of the rest of the country while infant mortality rates, adult illiteracy and unemployment is noticeably

Assuit itself, once a prosper-ous centre of private enter-prise, suffered particularly hadly from the nationalisation policies of President Gamal Abdel Nasser, its most famous son, who overthrew the colonial British-backed monarchy in 1952. The gradual decline in living standards, increased unemployment, especially

among high school graduates, and the seeming indifference

to the region's plight hy suc-

cessive government's in Cairo

subsequently proved a fertile

breeding ground for radical

It was in Assuit University

which has been behind much of the insurgency over the past

oung sa'idis (or southerners) from poor fami-lies with little hope of anything better than a duil and badly paid job in the public sector proved ideal recruits to the radical brand of Islam which the Gamma's touted as the only solution to save the region from social and eco-

nomic malaise. Peopla here have been living in unrealistic conditions for so long it's not surprising that some were persuaded to make trouble. It was not a religious dispute or real fanaticism, it was simply the drastic

Egypt at the end of 1992 when

ak's government. While occasional attacks against senior government officials and tour-ists in Cairo made the headlines in the foreign press, many areas in Upper Egypt were subject to an almost daily

dose of bloodshed.

In Assnit, the town's large Coptic community, a Christian minority, which traditionally prospered as landowners and merchants, were a fsvourite target for the militants and by December 1993, thousands of extra police troops had to be called in and all roads to the town sealed off to try and subdue the violence.

The situation was terrible We were always scared of being attacked by one of the

People here have been living in unrealistic conditions for so long it's not surprising that some made trouble. It was not a religious dispute or real fanaticism'

> economic situation," says Mr Mokhtar Hussein, a wealthy of the police who were very Egyptian who has come back provocative. Whenever they to his family's roots to invest got together in groups there in the new Assuit with a numwas always trouble," said one Copt who declined to be ber of agro-industry projects and a new luxury hotel. Islamist violence erupted in

Once security was under

lance operations and moved swiftly to try and alleviate some of the area's economic

Public money was found to uperade the town's infrastructure, build new roads and bridges and investment incentives were announced to attract the private sector with tree land and tax exemptions.

*One of the most important things to do is to try and change the mentality of the lower classes and particularly the young. We have to create jobs, put money in their pockets, and give them a sense of opportunity and entrepreneurship," explains Mr Fouad Fsttah, who arrived in Assuit at

the end of 1992 to set up s regional office of the govern-ment's Social Fund for Development, one of Egypt's most successful programmes aimed at helping the underprivileged. The Fund, which is backed by the World Bank and donor

countries, has so far spent EGP108m (£21.1m) in grants, for public and community works, and credit lines to more than 2,400 small enterprises throughout the governerate.

Mr Ibrahim Lofti Dobbes

who borrowed EGP100.000 with his brothers to set up the first rubber parts factory in Upper Egypt, says the money has made a huge difference to his family and his village. With 24 employees he works a two-shift day to keep up with orders. "Without this money we would still be waiting for a job with the government," he says.

Despite the turnaround in Assuit's fortune's, bowever, trouble is never far away.

Only 87km north of Assuit is the town of Malawi where special forces are still battling with militant renegades. "The terrorist action pushed the government to do something for this area but this mustn't be a one-off, unless the people feel a difference on a personal level there will be trouble again," warns private investor, Mr Hussein.

Cairo votes to scrap new tenancy rent controls

By James Whittington in Calro

Egypt's bousing market has been given a long-awaited shot of deregulation after the newly elected parliament yesterday scrapped rent con-

trois for all new tenancy agreements.
The change, recommended by the
International Monetary Fund, will not only free future rentals hat will also give landlords the right to evict future sitting tenants. The amendment to the old bonsing law will not apply to an estimated 95 per cent of Egypt's housing stock where rental agreements already exist.

"This will cause a gradual revolu-tion in the housing market," said Ms Sahrine Luca of rental agency Foresight Property Services. "It will remove the difficulties for landlords in renting property to Egyptians by enshrining new tenancy agreements in the law which will help to create a real market for rented accommoda-

"Its a step in the right direction," said one local economist. "But the buge difficulty remains of how to deregulate the existing occupied

With more than a quarter of

Egypt's 60m citizens living on less than \$35 a month and barely able to cover their fixed rents, the government feared a wholesale change to the bonsing law would have caused social unrest.

Since taking over as prime minister at the beginning of this month, Mr Kamel al Ghanzouri has managed to breathe some life into Egypt's slothful economic reforms. Last week he reduced customs duties on a list of capital goods and be has set in motion a series of reforms to encourage investment.

Under the old rental system, the

wealthy family living in a large apartment in a prestigious area, such as Zamalek overlooking the Nile, could be paying the same as their maid renting a room in the slums of

On top of the monthly rent, tenants pay a down-payment in the form of key-money which for most Egyptians requires years of saving. However, once settled they have been virtually guaranteed a lifetime's accou tion and would often pass on their rental agreements to their children. As a result, landlords bave been

elther deterred from renting their properties or have left their occupied bonsing to crumble away through lsck of maintenance,

The construction of informal housing has beloed cater for those who cannot afford to pay key-money, exacerbating already overcrowded

For middle income bousing, many landlords preferred to leave their apartments vscant rather than see them taken away by sitting tenants. In Cairo alone there are an estimated 2m empty properties.

1995 **OUR BEST YEAR YET**

Assets up by 15% to £11.6 billion.

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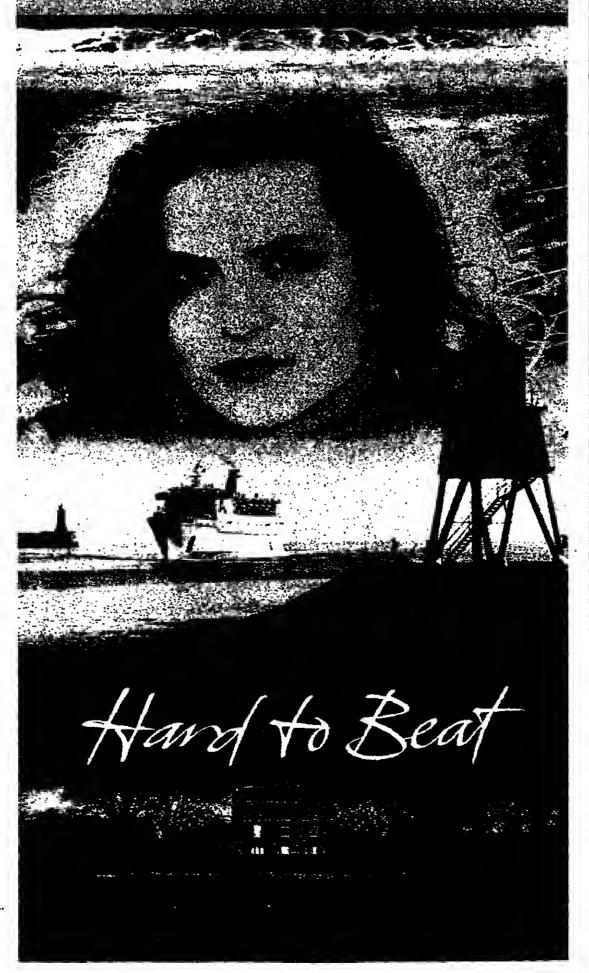
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Southern Africa to seek free trade zone

By Roger Matthews in Johannesburg

Ministers from the 12 member nations of the Southern African Development Community resterday concluded a three day meeting with a commit-ment to reduce tariff barriers and work towards the creation of a free trade area.

The pledge is an essential part of SADC's long-term strategy to reduce its dependence on aid and encourage regional and foreign private sector investment. Ministers and officials from the 12 delegations will over the next two dsys meet representatives from Nordic countries, the EU and industrialists to discuss ways of sttracting more private sector investment.

"Hearing what the business community has to say about what we must do to attract investment is critically importent for us," said s SADC offi-

Mr Kaire Mbuende, the exec-ntive secretary of SADC, said the most important decision had been to prepare a protocol for removing trade barriers which would be signed at the organisation's summit in August. "The aim will be to replace the present series of bilateral trade agreements with s single multilateral pro-tocol. Trade ministers will meet in June and the final draft should be ready for the

summit in Lesotho," he said. Mr Mbnende said other elements of the trade protocol would be the creation of a single negotiating forum, the reduction and eventual elimination of non-tariff barriers proposals for the creation of a "financial facility" to promote industrial development, the sharing of information and research, and giving formal notification to the World Trade Organisation of SADC's intention to create a free trade area in sonthern Africa. Negotiations are likely to

prove tough, however, because of the great economic disparities between the 12 countries South Africa is sensitive of the extent to which it dominates the organisation economically, and officials stressed yesterday that its prime concern was to help member countries reach a similar level of devel-

The members of SADC are Angola, Botswana, Lesotbo, Malawi, Mozambique, Mauri-tius, Namibia, South Africa, Swaziland, Tanzania, Zambia,

INTERNATIONAL NEWS DIGEST

Tanzania and Uganda SE move

Uganda and Tanzania will have operational stock exchanges by mid-year, senior officials from Kenya's two East African neighbours said yesterday. The launches of the two bourses are part of wide ranging economic reforms. The officials interviewed in Nairobl, said the first share flotation in Kampala, Uganda's capital, would be next month and a stock exchange would be set up in Dar es Salaam, Tanzania's

economic capital, by June 30.

The officials spoke on the sidelines of a Nairobi conference on capital issues in emerging markets.

The Kampala bourse has held trial trading for some time and officials said interest from private business was robust. Mr John Kaggwa, an official at Uganda's central bank, said Uganda was encouraging foreign investors and foreign brokers to take a lead on the bourse because officials knew that harnessing finance from local sources was not easy.

Uganda began the path of economic reforms in 1986 with the rise to power of President Yowerl Museveni, an economist and political scientist who had fought s five-year bush war. in 10 years of governance, Mr Museveni has brought relative prosperity to s nation once dubbed the "Pearl of Africa". The Kampala bourse is expected to rely on privatisations of

government companies.

Tanzania began liberalisation in earnest with President Ali Hassan Mwinyi, who took over from founding socialist president Julius Nyerere in 1985. Mr Mwinyi's liberalisation of trade and markets was slow and the mantle has been passed to Mr Benjamin Mkapa. Reuter, Nairo

UN to stay in Western Sahara

The United Nations mission trying to arrange a refereodum on the future political status of the former Spanish territory of Western Sahara is being allowed a few more months to continue its efforts.

The Security Council was expected to sdopt formally last

night a resolution extending the mandste of the 370-member international mission, known as Minurso, until May 31. Its task is to Identify and register people entitled to vote in a referendum that would decide whether to declare Western Sahara independent or confirm its incorporation in the

kingdom of Morocco. The Moroccans control most of the territory but their presence is opposed by the Polisario Front independence movement. The proposed referendum bas run into repeated snags and is four years behind the deadline originally set for its completion. The resolution prepared in lengthy private consultations for Council action – which diplomats said would be unanimous - would declare the world body's "deep concern sbout the stalemate which has been hindering the

dentification process.' Polisario and the Moroccan authorities would be urged to co-operate with the UN to overcome the obstacles and invite it to find new ways to create a climate of mutual confidence.

Michael Littlejohns. New York

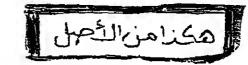
Kazakh parliament reopens

Kazakhstan's president Nursultan Nazarbayev reopened kazaknstan's president indistribution inazarbayev respected parliament yesterday after a gap of nearly a year, telling it not to repeat the mistakes of its predecessor and speed reforms in the former Soviet republic. Parliament reconvened at the end of a 10-month break during which Mr Nazarbayev beld referendums to prolong his term and boost his powers over

this vast oil-rich republic of 17m people. "We need to...finally stabilise the economic, political and social situation and enter a new stage of development," the

former Soviet politburo member said in a one-bour speech. The deputies could have a tough task winning the trust of the Kazakh public as their predecessors had a reputation for being slow to pass legislation. The Soviet-era Supreme Soviet dissolved itself in late 1993 while the next parliament, elected in March 1994, was dissolved a year later after its election was ruled invalid.

Analysts say Mr Nazarbayev engineered that dissolution because the deputies passed just seven laws in a year. He bas since issued over 80 decrees



Egypt no. Whitein

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Singapore attracts 17% investment boost

By Peter Montagnon, Asia Editor,

New investment commitments in Singapore's manufacturing sector rose 17 per cent last year to \$\$6.80n (£3.2bn), holding out prospects that the island republic will be able to sustain high economic growth in the medium term by boosting productivity and upgrading skills, the Economic Development Board said yesterday. The largest beneficiaries were the

chemicals and electronics sectors,

39 per cent of new commitments respectively. Mr Philip Yeo, EDB chairman, said investment by local Singaporean companies was also high for the second year running. It accounted for 28.7 per cent of total commitments, compared with its traditional share in the mid-teens.

Singapore's overall economic growth rate fell last year to 8.9 per cent from 10.1 per cent in 1994, but government planners believe the economy can austain an 7 per cent

growth rate between now and 2000. Manufacturing industry should grow equally fast so that it maintains its 25 per cent share of the overall economy, Mr Yeo said.

Mr Yeo said Singapore bad lost some projects last year to European countries prepared to subsidise them to cut unemployment. But though Malaysia and Thailand were also seeking to establish wafer fabrication plants, Singapore had "a head start" in attracting high value-added investment to the Asia-Pacific region.

Singapore has been trying to pro-mote itself as a regional manufacturing centre, offering innovation and research skills to multinationals wanting a presence in the Asia-Pacific region. It also offers financial risksharing and co-investment schemes to companies investing outwards into the region from Singapore. The government yesterday formally announced the launch of a Singapore industrial park in Vietnam, along the lines of that already established in Suzhou, Southern China.

Further initiatives planned for 1996 include new incentives, including tax concessions on remission of profits and service income for companies that set up regional manufacturing headquarters in Singapore. This scheme will complement concessions already available to multinationals using Singapore as a regional administrative headquarters.

Mr Yeo said it was targeted at com-

panies using Singapore to provide manufacturing support services to other companies in the region.

Indian private sector 'robust'

ASIA-PACIFIC NEWS DIGEST

India's private sector has responded "impressively" to four years of economic reform, inspiring a "robust economic expansion" led by private investment and export growth, says an international Monetary Fund study* released yesterday. an international Monetary Fund Study Feleased Vesterlay.

But the study warns India must "persevere" with reforms – addressing tighter fiscal discipline, deeper tariff cuts, labour market liberalisation and public enterprise restructuring – to emulate more strongly growing south-east Asian neighbours.

The IMF's first occasional paper on India found that following a balance of resupressits crisis in 1001 clear signs.

following a halance of payments crisis in 1991, clear signs emerged in 1994-95 of a "vigorous" rebound marked by resurgent private investment and growth, notably in cars and consumer electronics, and with big investments planned in telecoms, power, petrochemicals and oil exploration. Obstacles to private investment remain, it says, including inadequate basic infrastructure, cumbersome state-level permit procedures, and the reservation of 850 items, including most consumer non-durables, for production only by a protected small-scale enterprise sector. Mark Nicholson, New Delhi
*India: Economic Reform and Growth; 74pp. \$15. International
Monetary Fund, 700 19th St, Washington DC

Farmers attack fast-food outlet

Kentucky Fried Chicken's ontlet in Bangalore, the chain's first in India, was attacked by about 40 farmers yesterday and forced to shut. KFC officials, who have been threatened before by the group opposed to multinationals, said they were "shocked and "appalled at the violence", and asked for state government help to restart business. The farmers belonging to the Karnataka Rajya Ryotha Sangha, an association of 10m farmers in the state, hroke furniture, causing minor injuries to bystanders. When KFC opened the outlet last year, the farmers claimed fast food chains would deplete the country's livestock and affect agriculture. Shira: Sidhva, Ne India's Supreme Court ordered a wider probe into a Shiraz Sidhva, New Delhi corruption scandal which has claimed the scalps of several top politicians and threatens to implicate dozens of others, telling the Central Bureau of Investigation to look into "every accusation against each and every person irrespective of their

Japan's bailout debate boycotted

Japanese government attempts to win approval for its plan to spend public money to bail out bankrupt housing loan companies or jusen got off to a bad start yesterday when opposition members walked out of the first parliamentary debate on the plan. Members of the main opposition New Frontier party on the lower house bodget committee said they would boycott discussion until the government provided a more detailed justification of its proposal to spend more than Y1,000bn (£6.2bn) on the scheme. Gerard Baker, Tok

Japan's overseas aid will total Y1,799.8bn (£11.2bn) in the Gerard Baker, Tokyo year from April, down 10.6 per cent – the first fall in nine years, according to Foreign Ministry data. Kyodo, T

N Korea to let in nuclear teams

North Korea said yesterday it would let the International Atomic Energy Agency inspect all its declared nuclear facilities now that a US-led consortium has agreed to supply it with reactors. "The DPRK (North Korea) side notified the IAEA side that it would allow the IAEA's routine and ad hoc inspections of unfrozen nuclear facilities," the official Korean Central News Agency said.

Japan jobless still at record level Force an option,

Keidanren takes up policy dialogue

By William Dawkins in Tokyo

Japan's unemployment rate stagnated in December at a record 3.4 per cent for the second month in a row, but gov-ernment officials greeted a slight improvement in the labour market as a sign of bet-

In another moderately encouraging sign yesterday, the government's Economic Planning Agency said that its index of leading indicators stood at 50 in November, the second month in which it has remained above the 50 dividing line between growth and

The index, a basket of economic indicators including money supply, housing starts

The Keidanren, Japan's top

business federation, yesterday convened its first ever formal

policy talks with the govern-

ment, in an attempt to restore

the influence of business in Tokyo's tangled politics.

Thirty senior officials led by

Mr Shoichiro Toyoda, Keidan-

ren's chairman, and his six

vice-presidents, held consulta-

tion talks with Mr Taku Yama-

saki, the ruling Liberal Demo-

The dialogue, a Keldanren

initiative, is the first in a

series. While initially bland, It

embodies the more open gov-

erument approach advocated

by political reformers, it marks

cratic party's head of policy.

By William Dawkins

pointing to conditions up to six months ahead, stood at 72.7 in October. The EPA's index of coincident indicators, measuring current economic condi-

Yesterday's unemployment figures, bowever, cast a con-tinuing shadow over consumer demand. The December unemployment result left average unemployment last year at 3.2 per cent, the worst ever, during a time when the economy was struggling to emerge from the longest recession since the 1930s.

The number out of work by the end of December reached 2.11m, up by 340,000 or 19.2 per cent from the same month the previous year. Total employment fell by 0.2 per cent to

political upheaval, during

which the Keidanren's once

Mr Yamasaki underlined to

his Keidanren audience the

LDP's commitment to running

a stable government with its

two coalition partners, rather

than submitting to pressure for

a quick election. He explained

that the LDP would stick to its

policy of using public money to bail out savers in bankrupt

housing loan companies, now

the subject of a heated parlia-

In return, Mr Toyoda

stressed the Keidanren's destre

for economic deregulation and

its support for proposals to

move the centre of government

out of Tokyo. He also called for

mentary debate.

a break with three years of cuts to bring corporate and

pivotal influence bas waned.

The jobless rate might look low by international standards. hut Japan's labour ministry uses a uniquely tight measure to define people out of work. Economists in Tokyo believe that the underlying level of joblessness, on the same crite-ria as used by the US, may be double the officially published

Worst hit were young people. The official jobless rate among those aged between 15 and 24 rose by 0.7 of a percentage point to a record 6.1 per cent last year. They are victims of Japanese companies' companies use of recruitment curbs to trim their work forces, a strategy dictated by the social unacceptability of making heavy redundancies among

personal income taxes more in

line with international norms.

to be financed by a rise in sales

tax and reductions in govern-

The Keldanren intends to

hold two to three such meet-

ings per month with senior members of the LDP and other

political parties, including the

opposition New Frontier party,

said an official. The next guest,

next Tuesday, will be Mr Juni-

chiro Koizumi, a former posts

and telecommunications minis-

ter, who unsuccessfully stood

against Prime Minister Ryu-

taro Hashimoto for the LDP

influence politicians as to let

them know what we are think.

ing about and to find out what

"The aim is not so much to

leadership last September.

ment spending.

responding to surplus capacity and fierce Asian competition, were the flercest labour cost cutters. They trimmed their workforces by 2.2 per cent over the year to December.

Manufacturing companies,

Johs were, on the other hand, created in construction, where a 1.4 per cent rise in the number of workers over the same period reflects a public spending boost on infrastructure. Retailers, wholesalers and restaurants increased staff by 1.3 per cent, while employ-ment in the service sector as a whole grew by just 0.4 per cent over the period.

Overall, the number of jobs available per 100 job seekers rose by two from November to 65 last month, the third

they are thinking before they make proposals," said a Keid-

The Keidanren was popu-

larly seen as one side of the

"iron triangle" of business, pol-itics and hureaucracy that con-spired to run Japan, until it

signalled its discontent with

the old system in 1993 by end-

ing the practice of channelling

memhers' political donations,

chiefly to the LDP. But there

was no regular policy dialogue

between Keidanren and gov-

ernment even when it was

Keidanren members started

discussing formal consulta-

tions with politicians soon

after the retirement two years

ago of the former chairman, Mr

Gaishi Hiraiwa.

making political donations.

anren official.

Li tells Taiwan

By Tony Walker in Belfing

China yesterday renewed its strong criticism of Taiwanese leaders' efforts to achieve greater independence, hnt stopped short of laying out a timetable for reunification.

Premier Li Peng, speaking on the first anniversary of the release of an eight-point plan for reunification by President Jiang Zemin, repeated that China had not renounced the use of force to recover Taiwan. "We have consistently encouraged the peaceful reunification of the motherland, but in the final analysis we cannot promise to give up the use of force."

Hong Kong newspapers had reported that China may use the occasion to provide stepby-step plans for reunification, but there was no hint of such a plan in Mr Li's speech.

Last Friday President Jiang. in an address to delegates to a new Preparatory Committee on Hong Kong, said resumption of sovereignty over Hong Kong in 1997 was the "first step" towards recovering Taiwan. Mr Li's speech yesterday

was clearly aimed at influencing presidential elections to be held in Taiwan towards the end of March. Beijing fears the poll will lead to strengthening demands for independence. "There is only one China

and Taiwan is an inalienable part of it," said Mr Li. "Whatever changes might occur in the way in which the leader-ship in Taiwan is chosen, they cannot change the fact that Taiwan is a part of China ... It



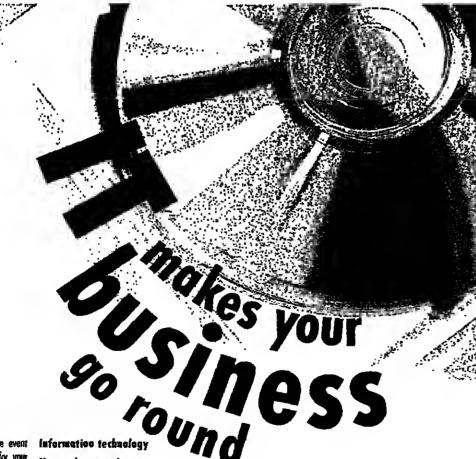
Li: no reunification timetable

will lead nowhere if some people attempt to use the change of Taiwan leaders as an excus to put their separatist activities in a legal guise."

China also repeated its warning to the US and other countries not to take action regarding Taiwan that might affect Sino-US relations. "Any foreign anti-Chinese power that tries to use it as a pretext to interfere in China's internal affairs will also be firmly opposed by the Chinese government," Mr Li said.

Beijing was incensed last year when the US granted President Lee Teng-hui of Taiwan a visa.

The New York Times reported last week China may be contemplating a strike against Taiwan after the election. Betting did not deny the reports cutright, allowing concern in Taiwan to build. See editorial comment



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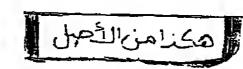
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China airport spending ready for take-off | Manila reopens

China is accelerating the expansion of its airport network to cope with a continuing but has also placed a cailing of 27 on new aircraft orders this

year will rise by 30 per cent in line with government attempts to upgrade facilities which, in the case of the hig hubs of Beiting and Shanghai, are grossly

Beijing airport, for example, is designed for 5m passengers a year, but is handling 12-15m passengers, Shanghai airport is similarly chaotic. Passenger traffic has been growing by

about 20 per cent annually.
Mr Chen Guangyi, director
general of the Civil Aviation Administration of China, said Yn9bn (\$1.1bn) had been earmarked for spending on airport facilities in 1996 - the first year of the ninth five-year

The CAAC, which is responsible for oversesing the devel-opment of the country's domestic aviation, said it was tightening rules on purchases of new aircraft to increase effi-

China last year imported 21 new aircraft, but at the same time retired 11 older models, a. net gain of 10 for the year. This was the smallest increase in numbers of imported passenger



A worker relaxes on the tarmac at Beijing airport. Most workers still use bicycles to get from one part of the airport to another

aircraft in any of the years of the aighth five-year plan

(1991-1995). China, which is regarded as the world's fastest-growing market for new aircraft, has some 400 commercial jets in service, of which about 200 are

The US company estimates that sales of commercial aircraft in the country in the next two decades will be worth \$100hn, making it the third biggest aviation market in the

world after the US and Japan But for the moment, China's aviation authorities appear intent on consolidation after explosive growth in the early to mid-1990's as the country's economy grew rapidly. The number of airlines has been frozen at 32, and smaller carriers, many of which are loss-

China has also tightened operating procedures after a spete of disasters between

making, are being encouraged

five-year plan the country would "do its best" to "recon-struct" 40 of the 132 sirports in tions about aviation safety. The past year has been relatively trouble free.

The authorities are now turning their attention increase ingly to improving airport facilities to cope with expected average annual passenger growth of 10 per cent for the next 20 years, compared with a forecast worldwide increase of 5.1 per cent.

Mr Li Zhao, vice minister of

view that during the ninth

This would involve upgrad-ing passenger facilities, and also making improvements to runways and navigation aids. China would also seek by the

2010 to satisfy internetionally recognised standards for satellite navigation for the whola country,

China is devoting particular attention to Beijing airport. The terminal was completed in the early 1980s, before the full impact of economic reform and opening to the outside world

Work began last October on a new terminal with a capacity of 30m passengers a year. The terminal, to be completed in 1999, will cost between Yn7hn

China is also working on amhitious plans to relocate airports further from city areas, and build new ones. Guang zhou airport may be moved and in Shanghai a new international airport is planned for the Pudong special economic zone on the east bank of the Hangpu river.

Vice Minister Li expects the sirport reconstruction programme to cost Yn73hn during the ninth five-year plan, of which the government would provide about one-third with the balance coming from local government and foreign inves-

The amount earmarked for investment in airports to the end of the century is about three times that provided in the eighth five-year plan.

Numbers of new aircraft expected to be in service by the year 2000, according to Mr Li, will total 640, including 300 of

power plant bid

The Philippine government yesterday said it would reopen bidding for e 1,200MW gas-fired power plant which was can-called last June because of controversy over a long-running

The winning biddar, Cepa (Consolidated Electric Power Asia), the power subsidiary of Mr Gordon Wu's Hopewell Holdings in Hong Kong, was disqualified last year after including technology developed by the US company stinghouse in its bid.

The technology was banned by the Philippine government owing to Westinghouse's alleged involvement in the payment of kickbacks to win the contract to build a \$2.1bn nuclear power station in 1982. The nower station, sited on an earthquake faultline, has been mothballed since it was com-

pleted in 1986. The ban on Westinghouse technology was, however, lifted last September, three months after Cepa's disqualifi-cation, when the Philippine government struck a \$100m out-of-court settlement with

the US company. The settlement involved the donation of two 501F gas tur-bines to the Philippines worth

In another twist, the Philippine government recom mended that companies bidding for the 1,200MW contract in the rescheduled round on April 15 should include the previously banned 5017 turbines in their proposals. This, said

officials, would help lower "Cepa can join the (April) auction and even use the 501F technology they had previously offered to use for the project." said Mr Francisco Viray, the Philippine energy secretary,

yesterday. Mr Viray added that the decislon to go shead with the rebidding, in spite of Cepa'e protests, was made "with the blessing" of President Fidel Ramos.

threatened to sue the govern-ment if it went ahead with the disqualification of its winning \$1.54bn bid, did not say yester day whether it would take part in the April bid.

The Hong Kong company was joined in last year's cancelled round by Enron Power Corp., the US company, and Marubeni Power, the Japanesa corporation. The gas-fired power plant is expected to be completed

WORLD TRADE NEWS DIGEST

Russia acts on alcohol imports

Russia intends to auction import quotas for alcohol and tobacco products to stem the tide of cheap tax-free vocks from neighbouring countries. The move is particularly targeted at Ukraine, which has boosted vodka exports to Russia as a

result of tariff exemptions under a bilateral free trade treaty. Mr Yakov Urinson, deputy economics minister, said the level of imports for tobacco and elcohol products would be set at 20 per cent of the domestic market. Strong spirits, including vodka, would account for no more than 20 per cent of this alcohol quota, with the rest being allocated to wine. Importers would be able to buy the quotas at euctions arranged by commodities exchanges. No date for the introduction was

The move was welcomed by Russian alcohol producers, who said it would lead to a more "civilised" market. Russian distillers claimed tax exemptions enjoyed by Ukrainian exporters deprived Russia's treasury of Rbs10,000bn (\$2.1bn)

Historically, alcohol taxes have been a big source of income or the Russian budget.

John Thornhill, Moscow for the Russian budget.

India approves investment plans

The Indian government yesterday approved 82 proposals envisaging total foreign direct investment worth Rs14.2bn ffort to clear as many projects as po before dates for a general election are announced in the next : few weeks. The proposals include a \$60m-\$60m investment by Volvo, which plans to set up a wholly owned subsidiary for trucks in India.

General Motors of the US will invest Rs1.32bn to raise its stake in India to 100 per cent. The Delhi-based Escorts group will form a joint venture with Yamaha of Japan to develop a new generation of motorcycles, and Ericsson, the Swedish telecommunications giant, will establish a wholly owned subsidiary in India. The ministry of finance said the new proposals are expected to have an export projection of about Rs24.75bn over a five-year period. Shiraz Sidhua, New Delhi

Italy raises China credit cover

Sace, Italy's export credit guarantee organisation, has agreed to raise its cover for China by L1,000hn (\$624m) to L5,000hn. The move follows strong pressure by exporters to raise cover for China in what is rapidly becoming an important but still risky market for Italian goods. At present Sace a exposure in China is L3,770hn with a previously set ceiling of L4,000hn. This is one of the highest country exposures after Algeria

and Russia. It is also more substantial cover than that

and Russia. It is also more substantial cover than that provided by most of Italy's EU partners. Nevertheless, it only covers 57 per cent of current Italian exports to China, whereas the percentage is higher in both Algeria and Russia.

A Sace statement said the extra cover was necessary to accommodate the opportunities in China's forthcoming ninth five-year plan with special emphasis on industrial and automotive investments. The decision coincided with the formula emphasis of types Figt's truck formal opening of a joint venture plant of Iveco, Flat's truck subsidiary, with Nankin Auto Works, with an initial annual production of 60,000 trucks.

Canada warns on farm jobs

If the US succeeds in reducing tariffs protecting Canada's dairy and poultry producers, nore than 25,000 Canadian farm and food processing jobs would disappear by the year 2000, according to Ottawa economic consultants Informetrics in a study on the effects of US action against Canadian farm

The US has called for the establishment of a panel of experts under the North American Free Trade Agreement to eliminate the tariffs. Nafta requires tariffs between Canada, Mexico and the US to be phased out by 1998.

Canada argues that the dairy and poultry industries represent a special case and that it cannot allow the destruction of its domestic farm sector. An open border would prove the most serious threat to Quebec, where half of

Canada's milk is produced. Canada's milk is produced.

Informetrica predicts that US surpluses would be dumped in Canada and take up to 20 per cent of the market. The adjustment period would last about five years and be severe, the study added.

Robert Gibbens, Montreal the study added.

Canada'e Bombardier has sold five 50 passenger Dash 8-300 aircraft worth around US\$70m to Brymon Airways, a British Airways feeder line, to replace five older models. Brymon already operates two Dash 8-300s.

Robert Gill.

Talisman and Gulf Canada will start construction of the Corridor natural gas project in Indonesia soon after raising US\$450m in international financing.

Robert Gibbert

Outokumpu Copper, part of the Finnish mining and metals group, has taken an 85 per cent stake in a company that will spend \$30m on an air conditioning and refrigerator tube making plant in Zhongshan City, Guangdong, China. The plant, scheduled to start up later this year, will produce 10,000 in the convention of the tonnes of tube annually. Production technology and core equipment is designed by Outokumpu which will also appoint key management. Kenneth Gooding, Mining Correspondent

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Zedillo seeks to cut power at the top Cellphone chief wants a refund

Mexico's president tells Stephen Fidler of his wish for political change without weakness

President Ernesto Zedillo of Mexico yesterday emphasised, in the clearest terms, his determination to reduce the overwhelming power of the presidential office.

"You don't need a king or a high priest deciding what poor mortals should do," he said, on a visit to the Financial Times, in London yester-

The Mexican political system -described five years ago by the novel-ist Mario Vargas Llosa as the perfect dictatorship - is one of the most centralised in the world. Mr Zedillo said that, although the power of the presidency under the constitution was not excessive, the office "had accumulated too much de facto power".

Reducing this power to its constitu-tional limits was "my contribution to building the new democracy that Mexico needs. If we want to have a more powerful Congress, we somehow need to have more moderation in the power of the presidency."

It was a mistake to conclude that this indicated a weak presidency. "It's basically a constitutional exercise of power - and that's what Mexico

Denvine that this would increase uncertainty in a country where a financial crisis had led the economy to shrink by 7 per cent last year, the president said the government'e emphasis on the rule of law and a new political consensus on demo-cratic practice and institutions would help make political change smooth.



Ernesto Zedillo: "You don't need a king or a high priest"

ing in intense all-party talks. "We are boping that, in the next congressional period that starts in the middle of March, we will already have some agreements to be translated into legis-

Some issues might require modification of the constitution, but the central issues related to the financing of political parties and to guarantees of

three pronged reform of the Mexican state, which he was pursuing. The other elements were a "more balanced relationship" between the executive. judiciary and legislature, as well as decentralisation of the state. Mr Zedillo said this would also

require changes in his ruling Institu-tional Revolutionary Party (PRI). "The PRI should become a much more competitive party for the new condiall-party access to the media. tions and therefore it shou This electoral reform was part of a a serious internal reform. tions and therefore it should carry out

should establish very clearly and transparently its method of selection for candidates", including the election next year for the mayoralty of Mexico City. Previously all senior candida-tures in the ruling party were effec-tively in the president's gift.

Mr Zedillo also said: · His government had moved ahead with structural economic reforms, despite the short-run emergency. These included railway privatisation. permitting private investment in natural gas, opening telecommunications to competition, continuing privatisa-tion of ports, sirport privatisation, and further efforts to sell petrochemical plants of the state oil monopoly,

· The known cost of programmes to support the banking system, and fix the problems of privately financed highways, was estimated at slightly more than 5 per cent of 1994 GDP in present value terms, to be paid over 30 years. Mr Zedillo said "too much publicity" had been given to government efforts to broker debt rescheduling efforts between banks and some 80 to 100 larger companies with exces sive debts.

 Better supervision, more transparent accounting rules and new investors in the banking system should help ensure that the banking crisis of last year would not recur.

The president denied that the Mexican government's social security and pension reform proposals had been

"The party's next convention watered down by Congress. He said the matter of cutting the administrative costs of the large and expensive public social security administration did not oeed to be part of the law. Rules were now being established to allow the system to begin operating next year, and these should begin to have other important benefits.

"What we have done works in the direction of obtaining higher produc-tivity... The [social security] institution will have to do whatever is neces sary to live up to the standards of productivity implicit in that legisla-

On the North American Free Trade Agreement and relations with the US, the president pointed out that Mexico's exports to the US had risen 50 per cent in two years. He said the US had benefited also: "Back in the 1980s, when Mexico had a financial crisis, our imports from them fell in one year by 60 per cent. This time around, thanks to Nafta, our imports fell 3 per cent." Regarding Mexican relations with

the European Union, Mr Zedillo said he was especially interested in negoti-ating a free trade accord. "We'd like to see, even if it is not called a free trade agreement, something that implies a very substantial progressive liberalisation of our reciprocal trade. We'd like to achieve that in just one negotiation ... although the rules could be put into effect over a period

which Mr Salinas deposited in personal bank accounts pending the creation of the By Leslie Crawford in Mexico City

former president. Mr Peralta is trying to

is in jail in Maxico and faces

charges of murder and illicit enrichment. His accounts have

been frozen while Swiss

prosecutors investigate the

According to Mr Peralta, Mr Salinas invited him, in 1994, to

join a "venture capital fund"

which would invest in

unspecified projects. It was to be co-ordinated and managed

by Mr Salinas, a civil servant

with no known expertise in

friendship which go back more

than 30 years", Mr Peralta said, he chipped in with \$50m

source of his wealth.

Based on

venture capital fund. Mr Carles Peralta, owner of Mr Peralta denied that the the Mexican mobile telepho investment was tied in any company Insacell, a listed way to a cellular telephone company with Bell Atlantic as a US partner, had an embarrassing confession to make this week. He was at concession given to Iusaceli during Mr Carlos Salmas's term of office, which ended in 1994. pains to explain why he had "entrusted" \$50m to Mr Raul Salinas, the elder brother of

The businessman's account of events may bolster Mr Raul Salinas's defence against Mr Carlos Salinas, Mexico's accusations of illicit enrichment in Mexico.

reconp his money from Mr Radi Salinas's bank accounts in Switzerland. But Mr Salinas Mr Peralta said that 20 other prominent businessmen, industrialists and bankers had been invited by Mr Salinas to take part in his venture capital fund.

Mr Peralta said be thought that Mr Salinas bad approached Mr Carlos Hank Rhon, son of a well-known ruling party politician, and Mr Roberto González, the chairman of Grupo Industrial Maseza, which dominates the market for the flour that goes into the maize tortillas that feed many Mexicans.

Grapo denied ailegations, while Grupo Financiero Interacciones, which Mr Hank Rhon heads, declined to comment.

Colombia political crisis may bring economic woes

By Sarita Kendall in Bogota

Business leaders in Colombia say that, if the country's political crisis drags on, it could begin to inflict severe eco-

So far, the upbeaval trig-gered by allegations that President Ernesto Samper of Colombia knew about contributions by drug traffickers to his 1994 election campaign has yet to have profound effects on the

The Colombian peso has suffered some selling, and active central bank intervention was needed to keep it within its established band. However, the government says foreign reserves - \$8.3hn on January 12 - are sufficient to maintain

exchange rate stability.

It doesn't matter

to us how you get

here, as long as

you feel you've

long, debilitating process is for the president to step aside. The economy may be robust, having grown 5.3 per cent last year, but the damage to confidence, investment and production could be disastrous, agree

analysts. The fundamental economic variables are still in order," said Mr Juan Manuel Santos, a former trade minister. "The Colombian economy offers good opportunities for the long term, despite the current situation. But a lot of people are postponing investment deci-

The government's growth forecast for 1996 is 4.5 to 5 per cent, with most private sector groups plumping for the lower figure. "We don't think we have reason to revise our fore-

The Landmark London

Perry, finance minister.

"People are worried that the political uncertainty could continue but, if there is a prompt solution, the effects on the economy won't be serious." From the government's point of view, a rapid solution could be the definition of the steps to be followed in any further investigation of the allegations against the president.

However, there are concerns about underlying problems such as the fiscal deficit and inflation, particularly given continued weakness in government. "The last government increased spending and so has this one, but you can't go on indefinitely," said Mr Rudolf Hommes, finance minister in the previous administration, under Mr Cesar Gaviria. "It's

INDIVIDUAL

As YOU ARE

not overwhelming, it's a question of deficits of 1 or 2 per cent of GDP, but it could build

into a serious problem." Tax reforms approved by Congress at the end of 1995 have not resolved the issue, says Mr Perry, and spending cuts are needed. In normal circumstances, the planned cuts might have been feasible; for a weak administration needing to buy popular support, they seem unrealistic to many.

The government will be proposing legislation to slow the rate of transfer of financial resources to municipalities and departments. Devolution has been wasteful, in part because local anthorities cannot assume responsibility for services as rapidly as they receive the money.

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and colleagues - as an individual.

annual inflation down to 19.5 per cent last year, and this year's target is 17 per cent. But the January figure, fuelled by end-of-year price increases and an acceleration in devaluation, is likely to be over 2 per cent -

not an encouraging start.
International prices of coffee, the traditional bulwark of the Colombian economy, have begun to edge up, but production costs are very high and farmers have debts they cannot clear. On the other hand, oil and coal earnings are increasing, while international reserves cover five to six months of imports.

Some exports - particularly flowers - could suffer badly if the US decides to decertify Colombia's anti-drug efforts and the country loses trade and

The privatisation programme failed to take off in 1995 but, in the midst of political confusion last week, the US-based company Enron bought the Colom-bian state oil corporation's holdings in the Promigas gas transportation company for just over \$100m. Sales of two banks, power ntilities and long-distance telephone ser-vices, already delayed, are now expected to go shead this year.

Portfolio investors will also be watching the stock market. Prices have been falling gradually since the end of 1994 and, for the present, local brokers are concentrating on fixed-interest, short-term paper. But shares are now low-priced and, once the uncertainty is over, even high interest rates seem unlikely to deter buyers.

US sees threat to Gulf shipping from Iran missiles

iran has tested and was about to deploy a new Chinese-made anti-ship cruise missile that represents a potential increased threat to oil shipping in the Gulf, the US Navy commander in the region said yesterday. Reuter reports from Washington.

Vice Admiral Scott Redd, chief of US Navy forces in the Gulf, said Iran test-fired a Chinese C-802 anti-ship missile on January 6, from a ship in the Arabian Sea just outside the Gulf. He said the missile could be mounted on Iran's Chinese-made Houdong fast

patrol boats.
The admiral called the C-802, a substantial advance over older Chinese-made Silkworm anti-ship cruise missiles used by Iran in its Gulf war with Iraq nearly a decade ago.
US defence officials said the

Pentagon had not seen any sudden recent increase in Iraq's military threat to Knwait and other moderate

dimension... another dimension of the Iranian threat to shipping," the admiral said, noting that the mobile, radar-guided missile had a range of 60 miles. The missile was "in the deployment stage," he said. Admiral Redd said

since 1994. Tehran had increased its naval strength with two Soviet-made Kilo Class attack submarines and five Houdong boats. Washington was closely watching Iran'a efforts to increase its influence in the

Guif, he said.

He said Tehran had fourshore bases from which tolaunch anti-ship missiles and was expected to buy a third Kilo diesel submarine and perhaps five more Houdongs this year. However, US defence

officials, responding to a New York Times report yesterday on a continuing US military buildup in the Gulf, said the Pentagon had seen no sudden added threat from Iraq in recent months. They said 12 US military cargo ships carrying enough heavy arms and other emergency equipment for 20,000 Marines and Army troops had beensent to the Gulf last August

"We have not seen a sudden increase in threat," said Mr Ken Bacon, of the US defence department. The US led a military coalition that defeated Iraqi President Saddam Hussein's forces in the 1991 Gulf War, and has over 20,000 miltary personnel in the Gulf region today.

AMERICAN NEWS DIGEST

Bouchard vows to tackle finance

Mr Lucien Bouchard, sworn in as Quebec's premier on Monday, said his priority was to get the French-speaking province's finances and economy in order. In his inaugural address, he mentioned sovereignty only once and in later interviews said another referendum on the province's status would be delayed until Quebec's financial crisis was solved

and the timing was more propitious.

Mr Bouchard, who was acclaimed leader of the ruling separatist Parti Québécois on Saturday, succeeds Mr Jacques Parizeau, who is retiring following the province's October referendum, which voted narrowly against independence. Mr Bouchard, a charismatic politician credited with bringing the pro-independence forces within an ace of success, formerly led the federal separatist wing, the Bloc Québécois. Mr Bouchard appointed political veteran Mr Bernard Landry

as minister of finance with responsibility for reviving the province's moribund economy. Mr Serge Menard, a young energetic lawyer, was moved from the public security portfolio to minister of state for Montreal, with the task of working with the federal and other governments to help the city's economy. Robert Gibbens, Montreal

Dole comes third in Alaska

Senator Bob Dole finished a poor third yesterday behind Mr Pat Buchanan and Mr Steve Forbes in a non-binding presidential "straw poll" of about 10,000 Republican voters in Alaska. The conservative polemicist won with 33 per cent, closely followed by the magazine publisher with 31 per cent and Mr Dole, the majority leader, with only 17 per cent.

The Dole campaign dismissed the significance of the result, saying the senator had made no recent visits to the state. He had, however, secured the endorsement of most of the local Republican hierarchy, although that might not count for much in Alaska, which in recent years has been attracted to libertarian ideas. But the result comes at a worrying time for Mr Dole, whose once sure hold on the Republican nomination has slipped, mostly in the face of the challenge from Mr Forbes. One poll in New Hampshire, home of the first primary proper on February 20, has Mr Forbes ahead, though another gives a decided edge to Mr Dole. Jurek Martin, Washington

Spy satellite agency 'loses' \$2bn

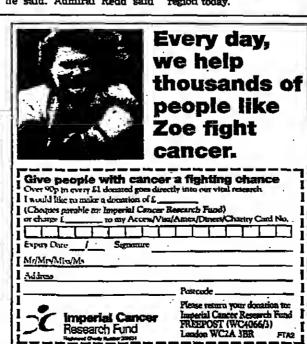
The secret US government agency that builds spy satellites lost track of more than \$2bn (£1.33bn) in classified money, mostly because of its own secrecy, the New York Times reported. The newspaper quoted military and intelligence officials as saying the amount was larger than anyone had known and critics of the agency, the National Reconnaissance Office, said that the money was hidden and developed secretly into a "slush fund". A team of auditors sent by Mr John Deutch, Director of Central Intelligence, found the money during investigations that were almost completed, the report said.

The agency secretly spent \$300m on a headquarters near Washington, an amount the Senate intelligence committee said in 1994 was a shock to discover. it was set up in 1960 but its existence was officially denied until 1992. Reuter, New York

US banks win Peru telecom deal

JP Morgan and Merrill Lynch, the US investment banks, were vesterday selected to manage the sale of Peru's 29 per cent holding in Telefonica del Peru, the former state-owned telecom munications company acquired in February 1994 by Telefónica de España. The total renaming holding is valued in the region of \$1.5hm. JP Morgan and Merrill will handle the international public offering, which is likely to represent up to 80 per cent of this total. They will charge 2.42 per cent on the total raised. The remaining shares will be available to Peruvian institutional and private investors. Sally B Sally Bowen, Lima







U.S.\$350,000,000

Subordinated Floating Rade Notes Due November 27, 2035

Notice is hereby given that the Rate of Interest has been fixed at 5.6% in respect of the Original Notes and 5.6875% in respect of the Enhancement Notes, and that the interest poyoble on the relevant Interest Payment Date Fabruary 29, 1996 against Courn No. 123 in respect of US\$10,000 nominal of the Notes will be US\$45.11 in respect of the Original Notes and US\$45.82 in respect of the Enhancement Notes.

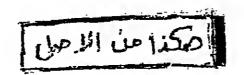
U.S.\$500,000,000 Subordinated Floating Rate Notes Due October 25, 2005
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U.S.\$500,000,000

Subordinated Floating Rate Notes Due Jamery 90, 1998
Notice is hereby given that the Rate of Interest has been fixed of 5.575% and that the interest poyable on the relevant Interest Payment Date February 29, 1996 against Coupan No. 121 in respect of US\$10,000 nominal of the Notes will be US\$44.91.

January 31, 1996, London
By: Gilbank, N.A. (Issuer Services), Agent Bank

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III DATE

Chancellor cautious on Emu pledge

and Robert Chots

Mr Kenneth Clarke, chancellor of the exchequer, cantioned yesterday against any pre-election commitment to hold a referendum about the single European currency.

Mr Clarke conspicuously disagreed with fellow ministers who have been trying to mask divisions on Europe in the governing Conservative party by predicting that the European Union will soon postpone or abandon monetary union.

Mr Clarke said in an interview with the Financial Times that he "personally would leave whether or not people want a referendum to the time if and when" monetary union is launched. He is resisting many cabinet colleagues who want the prime minister to pledge as part of the Conservatives' general election cam-paign that there would be a referendum on sterling joining a single currency if the cabinet decided to join. They believe this is the best way of bringing a long-term truce to the Con-

servative party. As for the launch of monetary union, Mr Clarke said: "I actually don't think anyone knows whether it will go ahead on 1 Jan 1999". He added that the government should not get "wildly excited" about specula-

tion on the start date. He warned other EU states not to relax the convergence criteria for monetary union. saying that Britain would not join if that were done. But he was dismissive of suggestions from other British ministers that relaxation, which would require a change in the Maastricht treaty, was likely.

"I have been to more meetings on economic and monetary union than all my col-leagues put together and so far

statesman calling for a

postponement of the January 1999 starting date for a single currency. Mr Hurd calls on

Germany to take the initiative

in rewriting the Maastricht timetable for economic and monetary union. Re

acknowledges that Britain

cannot request a postpone-ment because it bas no commitment to join. Other

European governments fear that seeking a delay might amount to a confession of weakness. "Someone has to face reality," Mr Hurd adds.

I have not ever heard anyone suggest any treaty changes."

Mr Clarke clings to old-style

Conservative beliefs in the

importance of spending on achools and the state health

service. As for the US model of

a developed economy where

state spending is proportion-

ately lower than in the UK, Mr Clarke noted that the price the

US paid for low public spend-ing was a healthcare system

that ebsorbed one dollar in

every five. "If you have to move to thet sort of crisis-rid-

den private sector healthcare

system in order to get your public aector spending down

then I'm not in favour of it".

next general election.

Monetary union, Page 13

elections to a new Northern Ireland convention appeared to increase last night after talks between Mr John Major, the British prime minister, and Mr Mr Douglas Hurd, the former foreign secretary, has joined the growing list of European

John Hume, leader of the main nationalist party, the Social Democratic and Labour party. Mr Hume emerged from a 90minute meeting at Westminster, striking a surprisingly optimistic note which

Prospects for a consensus on

Irish peace prospects recover ground of concessions on the details of hew, chief Northern Ireland a future convention. hew, chief Northern Ireland minister in the British govern-

Mr Hume reacted furiously to Mr Major'a announcement last Wednesday, when responding to the report of the Mitchell commission on paramilitary arms, that he was considering elections to a forum for allparty negotiations. His anger was echoed by the Irish gov-ernment as well as by Sinn Fein, the political wing of the hish Republican Army.

Mr Gerry Adams, Sinn Fein president, remained unmoved

Mr Hume - who potentially has the most to lose in an election for which Sinn Fein would be able to call upon its extensive US-led financial donations gave no indication last night that Mr Major had changed his

Mr Major's pledge to push through early legislation paving the way for elections to a convention pushed relations with the Irish government to a low ebb. Mr Dick Spring, dep-uty prime minister of the

to use a meeting with Sir Patrick tomorrow to voice his gov-

ernment's disquiet. Meanwhile, the murder of a republican terrorist chief in west Belfast raised fears of renewed bloodshed in North-

ern Ireland. Mr Gino Gallagher, chief of staff of the Irish National Liberation Army (INLA), a breakaway group, was gunned down inside a social security office. The police said there were "strong indications" that the murder was part of an internal INLA feud.

to £168m to 1994-95. This was

partly a result of rising legal

costs such as insurance cover. A figure of £39m listed as

visions for future legal costs not covered by insurance.

the firms are probably finely poised," commented a senior

partner with another big

accountancy firm. This impres

sion is confirmed by the size of the business' capital base at

£81.59m - £45m of which is

partners' capital and the rest undistributed earnings. While the figure may look low it

caused little surprise among

The accounts do reveal tight

control on borrowings, credi-

tors and work in progress.
"This is by and large a well
managed firm," said a senior

partner with another firm. One

slight surprise was a £19.5m

provision for empty properties where KPMG holds the lease.

year to meet the threat of ris-

When KPMG decided last

the rest of the Big Six.

"This helps to show that all

UK NEWS DIGEST

Business warned against rushing into takeovers

Mr John Bridgeman, director-general of fair trading, warned companies against rushing into takeovers, saying that they rarely generated the hoped-for benefits. He said in his first big speech since taking office last year that the costs of many mergers frequently outweighed the gains. He also expressed particular concern about bids in the utilities sector, which has seen several recent takeovers. He said management skills were not readily transferred from one sector to another.

He said this concern had last year led him to request Mr Ian Lang, the trade and industry secretary, to refer to the Monopo-lies and Mergers Commission the bid by North West Water for Norweb, the electricity company. Mr Lang rejected the request and cleared the deal. Mr Bridgeman was speaking at a time when City interest in bids and deals is running high in the wake of Granada's successful £3.9bn (\$5.9bn) acquisition of Forte, the botals group. Mr Bridgeman said that, while mergers could improve the efficiency of the economy by transfer-ring assets from ineffective to effective management, this aim was not always achieved. Stefan Wagstyl, Industrial Editor

Rail acquisition probe ruled out

The trade and industry department said it would not refer the acquisition of European Passenger Services, operator of Eurostar trains, by the London & Cootinental Railways consortium to the Monopolies and Mergers Commission. The consortium which wins the bidding for the £3bn (\$4.53bo) Channel tunnel high-speed rail link between England and France would take over EPS as part of the project. The transport department said monopolies clearance was routine and did not mean that L&C had won the bidding. Eurorall, the rival bidder, said clearance of the L&C bid did not mean its own offer had been rejected. The L&C consortium consists of Ove Arup, Bechtel, Sir William Halcrow, National Express, Virgin Group and S.G. Warburg, Eurorail comprises BICC, HSBC Holdings, National Westminster Bank, Seeboard and Trafalgar House.

Managers at Chiltern Railways have teamed up with John Laing, the construction company, and 3i, the development capital group, to bid for the passenger train franchise of their line – the minth to be offered for sale. The bidding group, M40 Trains, has placed a notice in the European Union's Official Journal seeking offers for between six and 30 diesel powered coaches. Chiltern Trains operates one of the lines between

Charles Batchelor, Transport Correspondent

Call for drug service changes

increasing addiction Notified addicts aged under 21 (000)

20-

16.2 18.9 22.3 25.1

properly addressing the issue of drug and alcohol abuse in young people and lacks the specialist treatment and advisory services required to deal with the problem, says the ser-vice's Health Advisory Service. The non-departmental public body warns that the availability of suitable services was "poorly planned and poorly co-ordinated" in spite of steady growth in the number of younger drug and alco-hol abusers. It condemns "a lack of leadership" from statutory health agencies and calls for new educational proeranomes to highlight the dangers of drug use and greater collaboration between different agencies.

The state bealth service is not

Mark Suzman, Public Policy Staff 'Mad cow' fears hit beef sales

Consumers are still shunning beef because of the scare over "mad cow disease", with latest figures showing a 17 per cent drop in retail sales in the month to January 20. The figures from the Meat and Livestock Commission conflict with its earlier predictions of a recovery from tha sharp drop in sales in the final two months of last year. Year-on-year sales fell by over 15 per cent between mid-November and mid-December and by 5 per cent in the preceding four weeks. Earlier this month, the commission launched full-page advertisements in national newspapers, in collaboration with leading supermar-

kets, assuring people beef was safe to eat.

Alison Maitland, Resources Staff

Weather office to cut jobs

The Meteorological Office wants to cut 430 jobs - about 20 per cent of its staff - over the next five years. Other employees may be asked to relocate as more functions are centralised at the head office at Bracknell about 60km west of London. Jobs in junior grades are believed to be particularly at risk because of cost-cutting and changes in technology. The defence ministry provides about 60 per cent of the Met Office's £150m (\$225m) annual budget.

Forget the classless society

Forget the classless society. If you want to be rich, choose wealthy parents. If you start life at the hottom, bad luck. So conclude researchers at the Institute for Fiscal Studies in an investigation of the persistence of poverty and affluence between generations. The study, one of the first to examine earnings at various stages of life, is based on the UK's National Child Development Survey, which tracks the fortunes of a sample of 20,000 people born in 1958. At the bottom end, taking two fathers who a generation ago earned £10,000 (\$15,100) and £20,000 a year in today's prices, the son of the poorer father grew up to earn an average of £7,000 e year less than the son of the richer father. Andrew Adonis, London

suggested that he had received hints from the prime minister terday with Sir Patrick May-Accountance: KPMG disclosures end more than a century of secrecy

By Jim Kelly, **Accountancy Correspondent**

KPMG today becomes the first large accountancy firm in the UK to publish company-style financial results, thus ending more than e century of secrecy surrounding the big partner-

ships.
The firm, which has 8,000 staff and 600 partners, is unlikely to be followed quickly by its competitors among the so-called Big Six firms.

Mr Colin Sharman, senior partner with KPMG, said he felt "very comfortable" as the head of the only big accoun-tancy firm revealing so much to clients, staff and the public. KPMG has moved to full disclosure because it would have had to reveal financial results for its audit business next year as it is turning it into a limited liability company.

The firm decided that it should disclose results for the

 Mr Tim Eggar, the energy minister, yesterday became the 52nd MP in the Conservative whole business in the UK party to announce that he will not stand for parliament at the and hopes financial transparency will give it a competitive advantage in a tight market. For the year to September 1995 KPMG earned gross fees He is known to have been deeply uneasy at wbat ha thought was the petty nationalist drift of the party, of £588m - up 6.8 per cent on although he denied that this the previous year. It distributed £106m of this to partners was a reason for his decision to - around £18m as "proprietor-

Accounting at the top KPMG pertners and staff remuneration Plant and the same of the same of 10/ u/ti = 150,000 75 87 225,001 -250,000 18, 7 12 275,001 - 300,000 325,001 - 350,000 225,001 - 350,000

Firm issues first detailed results

425,001 ~ 450,000 ship profit" above a notional for the sector. Significantly executive salary. This gave the firm's partners an average in effect a shareholders' return, of £180,000 (\$272,000).

375,001 = 400,000

this return was 28 per cent lower than it had been in pressures on margins".

remuneration, taking into 1993-94. The firm'e senior part-account pensions and what is ner said there were "severe ner said there were "severe One of the factors which The proprietorship profit fig-ure, which was 3 per cent of the gross fees, is the key one dented profitability was an increase in non-staff and part-ner costs from £143m in 1993-94

ing litigation costs and help promote itself as the leading audit firm, it looked likely that other big firms would follow suit. Now they look more

£125,000

£730,763

No profit £178.753

likely to register off-shore.

Institute of Education, and an

adviser to Mr Tony Blair, the

Lahour leader, Most compre-

hensives practise "setting" -

dividing children on ability in

different subjects. Some use

"streams", where children are

divided on ability into the same classes for all subjects.

Schools which attempt to make

Education Political furore highlights escape routes from poorly performing schools Agonising choice often confronts parents represents the heads of all UK universities, said: "As responsible managers, if the govern-

The inner London borough of

Southwark faces the City across the River Thames, its poverty contrasting sharply with the wealth of the financial quarter opposite. That poverty means that parents in the borough face an agonising choice when picking a secondary school for their children.

They have three options: send the child to one of the area's poorly performing com-prehensive schools (all pupils accepted irrespective of ability); opt for a grammar school (children selected according to academic ability) in a neighbouring borough, probably entailing long journeys for their children; or pay heavy fees for a place in an independent school outside the state education service.

Thanks to the decision of Ms. Harriet Harman, e senior member of the opposition Labour party, to choose the second option, their dilemmas have entered national debate. Selective schools are seen by many in the party as bastions of priv ilege, and its deep distaste for them almost cost Ms Harman her job as the party'e leading voice on health issues in the House of Commons.

Comprehensive schools were invented by the Labour governments of the 1960s although most comprehensives were created when Lady Thatcher, who was later to become prime minister, was Conservative education secreUniversity vice-chancellors are set to end free higher education next year by charging new students a £300 (\$453) "registration levy" if government capital funding cuts are not find long-term funding from somewhere." reversed. The vice-chancellors' central policy board agreed the move but stressed it would be made only "extremely reluctantly". Students universities to introduce top-up fees. They cerreacted angrily to the announcement. Funding tainly cannot complain about how they have for universities will fall by 9.4 per cent between the present financial year and 1998-99, but the greatest concern has been caused by the cut to the universities' capital budget, announced in November's Budget, from 2350m to £243m. Ms Diana Warwick, chief executive of the Commit-tee of Vice-chancellors and Principals, which per cent increase in student numbers."

tary between 1970 and 1974. Many Labour MPs support them strongly on principle. Ms Harman and her husband, a senior trade union official, rejected the comprehensive schools in Southwark where they live even though the municipal authority in the ancient borough is dominated by Labour councillors. Instead, they decided to send their son to St Olave's, a grammar school about 15km away which has opted out of municipal con-

Other parents in Southwark feel strongly that they have a right to opt out of the bor-ough's schools. "I think my child has a total right not to have to sit next to a skinhead," says one local resident. It is not merely a question of social snobbery. Southwark's exam results are among the poorest in the country: it finished 105th out of the 108 education authorities in England last

Southwark is one of the most economically deprived parts of London, and more than half the pupils at the borough's schools qualify for free meals. But Mr Gordon Mott, Southwark's education director, refuses to use such factors as an excuse. "The evidence is there that we could do better. and we must try to do that." He points instead to the borough's almost unique position in having within its borders three of London's best-known

and most successful indepen-

dent schools - Dulwich Col-

lege, Alleyn's and James Allen's Girls' School Dulwich College receives more in subsidies from the government's Assisted Places Scheme for children from low income families than any other school in the country. Under this scheme, which would be abolished by a Labour government, academically able children are subsidised to go to independent selective schools.

This gives Southwark parents an escape denied to them in other London boroughs.

ment will not provide the resources, we have to

But Mr John Major, the prime minister, said

in the House of Commons: "I see no need for

been treated by the government. Between

They also have the option of following Ms Harman's strategy by sending their children to one of the two grammar schools in neighbouring Brom-ley. The flow of middle-class children out of schools in boroughs each as Southwark helps to depress the performance of their comprehen-sives, according to Mr Tony Cobb, director of studies at Leicester University's Centre for the Study of Comprehensive Schools.

Nationwide, comprehensives are by far the most common form of secondary education. Only 7 per cent of children are educated privately, while only 160 grammar schools remain out of a total of about 4,000 English state schools. But selection within schools is widely practised according

to Professor Michael Barber of the University of London'a

1989-90 and 1994-95 university funding rose by each class mixed ability are in 23 per cent over and above inflation." But the the minority, he says. "Comprehensives aim to treat all children equally and committee retorted that "the real issue is that the resources for teaching each student fell by give them equality of opportu-nity," says Mr John Dunford, the head of the highly success-

ful Durham Johnston compre hensive in the northern England city of Durham.
"Treating all children the same would not be treating them equally - come need more pressure than others; some need more support. Even in Southwark, where many secondary schools once

rejected any form of selection, schools now recognise that children with different abilities should be treated differently. As Mr Mott says: 'I do think the conventional wisdome about aetting and streaming are being set aside. Our schools now set. The task they face in terms of breadth of ability is such that it's unreasonable not to. A very good teacher might be able to han-dle all abilities in a class, but it's unreasonable to establish a system which is dependent for its successful delivery on the presumption that everyone will be excellent. It doesn't work like thet."

Underwriters welcome low claims invels

Insurers warn of threat to profits

Fears of a marked downturn in the international insurance industry intensified yesterday with a gloomy report by London-based marine insurers warning that excess competition is threatening profitability, our Insurance Correspondent writes.

The Institute of London Underwriters said recent improvements in insurers' underwriters do not halt their

top".
Mr Len Campbell, who is standing down as ILU chairman, said: "Underwriters in London and other markets. have weakened their resolve to avoid the disastrous competition that caused such havoc in

results, "may well prove short-lived... if some irresponsible ago. If current trends persist, ago. If current trends persist, profitability may disappear lemming-like rush to the cliff- and reserves wither for all but

The LU membership comprises large international insurance companies underwriting marine, eviation and transport business which together form a rival market to

Capital idea to revamp tourism

Research commissioned by "Too many people have an out-dated image of London and

yet it is at the cutting edge of fashion, music, nightlife and eating out," said Mr Colin Hobbs, managing director of London Tourist Board. "It is precisely these elements that need far greater emphasis, particularly in targeting the new and younger fast-growing markets across the world. The campaign to promote

London as the gateway to Britain is aimed at reversing the city's loss of share in the world . tourism market. Between 1985 and 1994, spending by visitors to the capital grew at 5.6 per cent - less than balf the world average of 12

The Department of National Heritage and the British Tourist Authority have each put in £2m over two years towards the campaign, with the other sam to be matched from the orivate sector.



National heritage minister Virginia Bottomley rides in a London taxi to launch the capital's "more vibrant image

'Gulf War Syndrome' to be investigated

By Bernard Gray,

The government is to investeate "Gulf War Syndrome", a series of medical complaints suffered by veterans of the 1991 conflict.

The decision comes after stinging criticism last year from the House of Commons defence committee which accused the defence ministry of arrogance and failing to act quickly to respond to veterans' concerns. The ministry has also been criticised by veter-ans for falling to match the willingness of US authorities to investigate the problem. Vice Admiral Tony Revell,

the British ministry's surgeongeneral, said yesterday that it was inunching full-scale epide-miological studies to determine whether forces serving in the Gulf had suffered statisti-cally abnormal bealth problems since the war. A team of seven senior doctors would also study claims by veterans that their children had suffered an abnormally high rate of serious birth defects. The ministry would work closely with the US to avoid duplicat

ing research effort. Mr Nicholas Soames, the armed forces minister, strongly rejected accusations that the ministry was responding to pressure late. Vice Admiral Revell said the ministry had examined 360 veterans and had failed to find a single source of their complaints.

But he admitted that those examined were genuinely ill, and that it was still possible for the variety of different complaints reported to have originated from a cocktail of vaccinations. Veterans have claimed that

the mix of up to 10 different vaccinations given at once. combined with drugs taken by soldiers to protect themselves against nerve gas, were unified in such large combinations and are responsible for their bealth problems. The ministry thought reactions to the cockiail were unlikely to be responsible for any prob-

Of the forces serving in the Gulf, only British, US and Canadian troops were given the anti-nerve gas pills, and these veterans have reported most of the health problem Admiral Revell said that the US had so far examined 17,000 veterans who had complaints, and that no single syndrome bad emerged in those cases

By Scheherazade Daneshkhu

London'e year-long search for a brand identity to spearhead a new £8m (\$12.08m) tourism marketing drive ended yesterday when the new logo was The London Tourist Board.

which is leading the campaign to promote London as a tourist destination said the new image, designed by Londonbased Beresfords at a cost of about £200,000, would project a more contemporary and vibrant image of tha city" instead of traditional images of heritage and pageantry.

the London Tourist Board showed London was seen as a "living museum" with a lack of awareness of its modern side.

Leicester ın green

eicester, a typical British industrial town, seems an unlikely aetting for ambitious initiatives under Agenda 21 – the programme of eovironmental action agreed by presi-dents and prime ministers at the Rio Earth Summit in 1992.

But the programme set out environmental goals for local as well as national governments - and a target date of 1996 to implement them. Leicester, tha UK's self-proclaimed "environment city" - and the only UK city represented at the Rio conference - says it is leading the way.

We call it Blneprint for Leicester, which is our version of local agenda 21," says Anna Dodd, head of the environment team at Leicester. The summary findings - covering everything from green shopping and employment to crime preven-tion and traffic - are already published, and the council hopes to

publish the full plan shortly. Leicester is only one of many councils - perhaps two-thirds of the UK's local authorities - which claim to be on course to implement local agenda 21 this year. However, according to Michael Ashley, eovironment under-secretary at the Association of District Councillors. many do oot understand what local agenda 21 actually means.

"Most local aothorities take it to mean a set of environmental policies - general environmental mannt, greening policies, planting trees and flowers." says Ashley.
"That is a misunderstanding."

Ashley says local agenda 21 is "a planning process, but a participa-tory planning process". It requires councils to plan policies on issues such as jobs, homes and transport in a manner which takes into account their impact on the local

environment. Leicester, which adopted the environment city title in 1990 as "a challeoge rather than an accolade", drew on advice from a pre-existing network of working groups - drawn from city and county council, private sector, education and the voluntary sector - and its arm's-length

However, the crux of Leicester's initiative was a public consultation exercise to involve local residents for political as well as planning reasons. Says Councillor Mary Dray-cott: "Traffic needs to be reduced in the city centre - but shop owners might oot be very supportive if they think this will damage the city cen-

tre economy." Involving people in planning allays such fears, she says. Even in Leicester – where environmental issues are well publicised - the team battled apathy. Only one in three people knew the names of their local councillors. says Dodd, and only I per cent of questionnaires seot out with the local newspaper were returned.

However, the council was able to get a sense of public feeling through surveys of 748 households, weighted for age, race and sex. The team also consulted with activists from 88 community organisations and a number of businesses.

According to Jane Morris of the local government management board, Leicester's blueprint, like other local agenda 21 initiatives, envisages a partnership framework in which the council's role is "to influence and advise".

As a big local employer, the council itself has re-examined its internal organisation for environmen-tally friendly policies – staff transport, including a bike mileage allowance, energy efficient offices and "green purchasing". Moreover, all council reports and policy discussions must detail "environmental implications" alongside financial, equal opportunities and other consequences. No decision in any policy field is taken without reference to the environment.

Cost, in Leicester as elsewhere, remains a barrier, hut oot an insuperable one, "Some authorities say we have no money - why should we do this?" says Morris. But, she claims, "it is not about new money - it is about spending existing money in different ways".

Leicester councillors say the bloe-print does not call for higher spend-



ing. Rather, they say the strategy takes a hroader and longer-term view of the "payback period" over which environmental initiatives

save money.

Critics claim Lelcester has little concrete to show for the effort. Councillors reply that the city has recently launched a new pilot recycling scheme which collects materials such as plastics and cans from special doorway bins just like ordinary rubbish. All told, the cost exceeds the returns, but this has to be set against the cost of landfilling waste, with a further £7 per tonne new landfill tax planned.

"At the momeot it is not commercially viable," says Steve Weston, head of eovironmental management. "But it is a question of vol-ume." Weston hopes that once the scheme is extended in March, average cost will fall and the council will be able to negotiate long-term supply contracts with buyers of recycled materials.

Moreover, Leicester can point to the success of home energy grants for "fuel poor" local home-owners. The council offers a number of measures - including loft insulation. heat recovery fans, gas condensing boiler, energy management system

and double glazing - giving 80 per

cent of the cost in grant.

Between April 1994 and August 1995 the council made 624 grants, mainly to owners of Victorian terraces, saving residents £177,000 a year in fuel costs. The renovation grants - to help the poor and old keep warm - also reduced carbon dioxide emissions by 2,295 tonnes a year. Domini Gunn, area manager of renewal, said owner-occupiers contributing 20 per cent saved money within seven months.

There is less evidence for more ambitious plans to attract companies manufacturing environmentally friendly products to invest in tha UK's "anvironment city" creating "green" jobs. Negotiations are continuing with several companies which currently import from the Continent.

Leicester's defenders say it is in the nature of local agenda 21 - integrating environment needs with each strand of local government activity - that it will only bear fruit in the future, "People think this is a quick fix solution - it isn't," Morris says. "If it is about changing the decision-making process you won't see the effects until much later down the line."

Taking the rap on wrapping

David Lascelles on a report claiming that complaints about packaging are based on misconceptions

Then buying mashrooms from a street market, they are wrapped in supermarket cext door, they come on a cardboard tray covered in clingfilm. No wonder people think consumer goods are overpackaged. But this popular view may be report by the UK Centre for Economic and Environmental Development (UK CKED), whose director, David Cope, was struck by the mushroom disparity while shopping in a Cambridge market. The report*, commissioned by Incpen, the trade group of the

packaging industry, concludes that the packaging issue is overblown because consumers do not understand the role that packaging plays in the production stream long before the goods come into their hands. These are some of the main

findings of the report Many peopla believe overpackaging results from the success of packaging makers in selling their wares to consumer goods manufacturers. Not so, says CEED. The evidence suggests the opposite: consumer goods manufacturers are under constant pressure to cut their costs, and this includes packaging. With some exceptions, the type of packaging manufacturers use is the most efficient for the job. If a product has too much packaging, it is usually because of a "market failure". CEED dentified lack of information, time lags in adoption of new technologies and failure to incorporate environmental costs

in decision-making processes. But these failures can be corrected by the manufacturers, rather than more generalised failures requiring government action. The aim of packaging is not just to protect the goods at the point of sale. It has to perform from the production line through the distribution chain. "Packaging has often completed its task by the

time it reaches the final consumer," says the report. Some packaging also plays a role in the use of the product - containers with spouts for example.



Packaging constitutes only 3 per cent of the weste that goes into lendfill sites

 Packaging plays other roles, too, such as marketing and prevention of theft. The packaging of a scent bottle may be excessive just to protect the contents. But that is not why it is there. Blister packs of screws in ironmongers vere designed to discourag shoplifting. The eventual choice of peckaging represents a series of trade-offs between a wide variety of considerations The waste that packaging

prevents through spoilage should taken into acco Consumers look at the condition of the packaging when they buy something. If it is damaged, they will probably reject the goods, even if the contents are undamaged – and the packaging has done the job for which it was designed. So sometimes the packaging has to be protected. Overall, the report concludes

that there is no generalised overpackaging problem, and in any case that packaging constitutes only 3 per cent of the waste that goes into landfill sites. The report goes on to criticise the UK government's response to

public pressures, and the pressure it is now creating through regulation and taxes to minimise waste and encourage recycling. "Unfortunately, much of the

legislation reflects a knee-jerk response to a perceived environmental problem and lacks both an understanding of the role that packaging plays in a modern product supply chain and also an appreciation of the wider environmental consequ the policy. The latter is illustrated by the legislation's narrow focus on recycling at the expense of

other policy options." However, the report itself has been criticised for using a narrow definition of packaging. It does not take into account many of tha environmental costs of packaging: depletion of timber and mineral resources, and pollution caused by the manufacturing process, which would push up the cost of

packaging if fully accounted for. The authors say these issues are "not central" to the report, which examined the market as it exists today and where these costs have not been "internalised". But if manufacturers were forced to pay these external costs, they predict that the volume of packaging would go down as the market adjusted to a new optimum.

*Packaging in a Market Economy. £25. Available from Incpen. 3 Tenterden Street, London W1R 9AH. Tel: 0171 409 0949.

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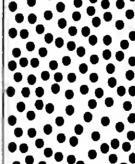
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FT Surveys

CONTRACTS & TENDERS



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HUNGARIAN PRIVATISATION AND STATE HOLDING COMPANY

MODIFICATION TO THE TENDER INVITATION

1. The Hungarian Privatization and State Holding Company (hereinafter Caller or APV Rt.) /H-1133 Budapest, Ujpesti rakpart 31-33./ modifies - under IX.2. of the detailed tender invitation - the invitation for a one round open tender for a nominal capital increase of at least USD 15 million of OAM Ozdi Accimule Kit. (hereinafter: Company), 3600 Ozd, Bajosy Zsilinszky út 5., (Trade Register no.: 05-09-002456) and for the purchase of a stock necessary to gain management control (50 percent plus one vote) in the Company with the incerased share capital, as follows:

1.1, APV Rt. will provide a development subsidy totalling HUF 2 hillion 500 million, laid down by previous government resolutions, deposited on a blocked account on the day of the conclusion of the contract at the latest so that the funds be at the disposal of the Company as necessitated by the development requirements

1.2., Considering the modification, the Caller prolongs by 15 days the deadline for submitting the tenders. The new deadline is

March 1, 1996, between 13,00 and 14,00 hours

2., The place of submission remains unchanged:

Áliami Privatizációs és Vagyonkezelő Rt. (ÁPV Rt.) H-1133 Budapest, Újpesti rakpart 31-33. floor 8, room 808

3., The detailed tender documents and the detailed information memorandum constitute an integral part of the present modification.

4. All other conditions of the detailed tender documents remain unchanged.

5., All those partners who have bought the information memorandum annexed as enclosure to the detailed tender documents, which was subject to the subsmission of the tender, will receive by post the modified tender documents from the Company.

6., Information on the modified detailed tender documents, the main data and features of the Company can be obtained from:

> Mrs. Margit Jaksa Somogyi Állami Privatizációs és Vagyonkezelő Rt. (ÁPV Rt.) H-1133 Budapest, Ujpesti rakpart 31-33. Phone: (36-1) 267-6649 Fax: (36-1) 267-6648

مكذا من الزميل

Television/Christopher Dunkley

Babes who wannabe boys

ll of a sudden commercial television seems to be full of female yobs: young women who refer to themselves with mannered irony as "babes" and "girlies". The words clash dramatically with the image they strive to convey of hard, modern, ballsy types who can and will do anything that men do - only more so. For those viewers old fash-ioned enough to relish the differences between the sexes, it will be reassuring and endearing to discover after the first couple of weeks that most of these would-be androgynes not only fail to schieve their object but look decidedly uncomfortable even making the attempt

It must be admitted that, so far anyway, none of these programmes begins transmission before 11.00 pm. most start after midnight, and the best (assuming you actually like this sort of stuff) which is called God's Giff is screened by ITV at 12.40 on Wednesday nights with a repeat at the bandy time of 2.55 on Saturday mornings. So they are hardly domin-ating the schedules yet. But experi-ence shows that crazes which begin in the backwaters of the daytime or night-time output can easily progress to evening slots. God's Cift, is, if you can imagine such a thing, a vulgar-ised version of Blind Date. Five young men - sorry, "hunks" - compete for the "God's Gift" title and "the chance to choose their dream date from an all-girl audience".

However, poor Simon - the cost-accountant with a 34-inch inside leg. who proved such a success in the "Suck it And See" section where the lads had to suck the lasses' toes, who strutted his stuff in a posing pouch to a cacophony of girlie squeals, and who Stable triumphed on the article who finally triumphed as this week's Stud-U-Like - chose as his date Joanne, the sweetie he had bowled over in the "Charm Or Smarm" chat-up test. So did Joanne grab this hunk and say "Come on big boy let's see what you've really got"? Did ahe heck. She made a moue, fluttered her eyelashes and indicated that she was already spoken for. So much for ballsy babes. Joanne was more like

something out of Little Women. As it happens, however, there is a real ballsy babe on this show: presenter Davina McColl who has bags of chutzpah, a loud voice, and a quick wit as well as long legs, a short pink mini, and clearly no need for a Wonderbra. She appears to be precisely what all these shows are shouting about, but what none of them except God's Gift has actually found.

The Girlie Show on Channel 4 made

the classic error of whipping up a fervour of high expectation, achieving massive press coverage, and then failing to deliver the goods.

Much was made of the fact that the

producers had forgotten to arrange a work permit for their chief presenter, a lanky American with a fashionable reputation for lesbianism and a metal rivet through her lip which is presumably the cause of her slight speech impediment. However, since she appeared on the show anyway, as the "chief guest". and picked their "Wanker Of The Week", this seems to have made precious little difference.

he ahow's theme was men's underpants and their contents. The babes said "willie" and "shag" a lot, and chucked in the f-word often enough to establish their bonz fides. Goodness how we laughed. Well, perhaps not laughed exactly, but there cannot have been anything as laughable as this since ... what? Well since they tried to popularise Bessie Bunter. What these shows always seem to miss is that when the chaps on programmes such as Eurotrash do items making fun of women (and they do just as many which make fun of men) they are delivered tongue in cheek and with affection and charm. Moreover Antoine de Caunes and Jean-Paul Gaul-tier can read antocue without sounding as though they are spelling out the words, and when there is no autocue they can extemporise without

These girlie programmes appear to

be the natural outcome of that gloriously illogical branch of feminist philosophy which starts out by vilifying men and masculine values, proceeds to proselytise female values and all womanly virtues, and concludes that the way forwards is for women to become more like men: stop raising children, put on a hard hat, wear trousers, tell dirty jokes and so on. What we have on The Girtie Show (which fittingly enough comes on screen straight after Jo Brand Through The Cakehole; there is a girlle for you) is a lot of twentycomething women doing their damndest to behave like the more inadequate sort of teenage boy. If you find something admirable in the lager-lout with his boozy songs, sexual inexperience disguised as bravado, clannish contempt for the opposite sex, and insecurity concealed under a desperate arrogance, then perhaps you will find these girlies

Spike Lee out to some ancient pile in the country in order to have Ms Behr

Babylon, is presented by a babe who looks the part - Dani Behr, previously presenter of The Word - but who is scarcely god's gift to interviewing. There seems little point in getting American film director and black icon ask "Compared to every film you've done, all the movies you've made, which one do you look back on which gives you the most satisfaction?" and "What music are you currently into at the moment?"

the weekend culture show. Hotel

All part of the dumbing-down process: "The Girlie Show

But then much of this show is simply a Top Of The Pops re-hash, latest in an endless line of such shows in ITVs new Friday night example of which babes with skimpy clothing

thrust their taut little midriffs at the cameras. We have been enjoying them

ITV's late-night Saturday offering Pujama Party, is presented by Katie Puckrik (another American; it is heartening to find that so few British women shine at this sort of thing) surrounded by a great crowd of girlies most of whom look as though they are working for a Damart placement scheme. This time instead of a country hotel the rinky-dink conceit is that Katie has invited all her buddles to roast weenies and sleep over ... or whatever it was that American teenage girls used to do. This may have seemed like quite a nesto notion of retro-chic when Le Puckrik was 16 or through television.

so, presumably in the mid 1970s. At that time it would have been seen as a fond and fashionable throwback to the Doris Day fifties. Today it just looks passé

Hotel Babylon may be spending something on its location and The Girlie Show sent a camera outfit of some sort to do its "Toilet Talk" item somewhere away from the studio. But generally speaking one of the huge attractions of these programmes for the accommtants who now run television must be their wonderfully low costs. For the viewer their most striking characteristic is that they are all part of the dumbing down process which is spreading like couch grass

Dirty Reality II, is an impressive attempt to deal with the complexities of black-white relationships through physical theatre. This is a huge subject, but the company covers the ground skilfully, travelling from slavery to the multi-layered difficulties of a small girl at the end of the 20th century as she learns to reclaim the culture of her black father and reconcile it with that of her white

If there is a drawback to the show, it is that it is easier to raise issues through physical theatre than it is to follow through by debating intricate problems. But all in all this is a fluid. powerful and angry show, beautifully choreographed by Benji Reid, directed with pace and force by Denise Wong and performed with great wit and precision by an extremely skilful cast.

People Show 101 tours to Wolverhampton, Coventry, Southport, Cardiff and Crawley (information on 0171-729 1841); Dirty Reality II continues at the Cochrane Theatre, London WC1 to February 3 (0171-242 7040).

Theatre/Alastair Macaulay Black soap

he Pulitzer-Prize-winning black American playwright August Wilson has been at work for some 15 years on a series of plays about the experience of blacks in the US, each play covering a different decade of the 20th century.

Two Trains Running, the latest of these to reach Britain, represents the 1960s, and in Paulette Randall's staging at the Tricy cle Theatre it schieves a texture so thick you could eat it. The action occurs in Pitts-burgh in 1969, and the locale perfectly achieved in Ellen

Cairns's evocative decor - is a standard Amarican diner; "Lee's Diner", set on a corner, with high stools around a curv-ing bar, a jukebox, and win-dows facing out on the streets. But it is in the language and accents that the play's texture mainly lies. Brief quotations cannot

catch this. You have to hear whole speeches made up of simple lines like "Found me some water. Made me a nice little crop", and to hear the tonality and vigour with which they are uttered, to appreciate the main life of this play. Sometimes, especially in Act One, there is so much texture that it stops you attending to what is actually being said. Not that that matters much. Two Trains Running is a sentimental affair. It spends much of its time making you feel that all seven of its characters

really deserve a great big hug. Offstage there are rallies for black power; Malcolm X is talked of like Christ, Martin Luther King like St Paul, But mainly we just learn to love these guys onstage. The dia-logue is often often funny, even on racial problems

problems - even the beautiful Risa has disfigured her legs with slashes because she got sick of men pursuing her for her looks - and all of them are lovable. Will the charming, excitable Sterling end up in jarl again for theft? Will the saucy Wolf go too far with his shady dealings? Can Lee sell bis diner for a profit? Will the imbedlic, obsessive Hambone get the ham be thinks he was promised ten years ago? Will Risa marry Sterling?

Yes, Two Trains Running is almost as good as a soap opera In the penultimate scene we hear that one of the characters has died in his sleep - the "two trains" of the title are life and death - and the last scene gives everyone a chance, according to his or her lights. to behave well by the dead. And, as with soap opera, Wilson has a terrible habit of ending scenes on cliffhangers or at crisis points. Under Randall's direction

the acting is the way people used to describe the London Symphony Orchestra: loud, fast, and brassy. As with the writing, the texture is powerful - and yet the characters are scarcely three-dimensional.

Bags of charm, though Tony
Armstrading may project too
much integrity to be quite right for the jailbait Sterling, but his mixture of nervous intensity and spontaneous charm are very winning. As the statuesque, guarded, slow-walking, and observant Risa, Janny Jules is very impressive. On press night, a couple of characters blundered around several lines and fluffed some cues, but it hardly mattered. Everything was strong, sweet and harmless.

All of these blacks have their Tricycle Theatre, NW6.

Recital/David Murray

Pianist dreams on

ars Vogt came a distin-guished second - to Artur Pizarro - at the last Leeds Competition but one. I admired his playing warmly then, though I wondered whether he might not soon be tempted into conducting: his creative musicianship seemed to aim beyond the limits of the keyboard.

But Vogt has stayed with the piano, performing around the world and recording concerti with Simon Rattle; and on Sunday he reappeared in the Queen Rizabeth Hall's "International Piano Series".

It was a mixed pleasure. He began with three preludes by Henri Dutilleux, gently suffased with the sense of mustere that the 80-year-old composer has cultivated in all his later works. Long sonorities, brief bursts of delicate filieree, a sternly restricted harmonic palette: Vogt set them all out with dedicated intensity.

Often he came close to realising Debussy's ideal of a "keyboard without hammers", the sounds effortlessly emitted rather than struck. Nothing could suit Dutilleux better, but what Vogt played next was a half-dozen of Schuhert's Moments musicuux, D.780, also treated to spectral half-lights, and to heedlessly imaginative ruboti. They were fascinating. crammed with personal feeling - and there were passages in which one lost any sense of where the downbeats came.

That would be odd in any

Schubert, and in the innocent Moments musicaux it was almost bizarre. Expressively teeming though Vogt's versions were, they sounded like hyper-snhjective fautasies around the actual music, fanciful views from a long way off. Ona told oneself that this first half of his programme must have been designed to throw Brahms's Souata no. 3 into histy relief after the interval. On the contrary, his account

of that F minor sonata was as wiltingly introspective as could be. Neither the opening Allegro maestoso with its thunder-andlightning start, the "energico" Scherzo or the leaping Finale acquired any impetus. The programme-book quoted Vogt as saying of the Brahms that "one must forget the percussive nature of the piano and think in terms of wind and brass, of sonorities which are deeply connected".

But that is plain silly. Brahms himself was always known as a burly piano-player, and his three early sonatas all revel in the percussive sweep of the instrument. Though keeping the sound of woodwinds and brass in mind is a good plan, it gives no excuse for rendering Brahms like Dehussy in ultra-deliquescent mode, all impressionist pedal-effects and downbeat-free. In this performance, we heard far more of Vogt than of the composer. Vogt is still only 25 or so; I expect he is going through



CAR STREET

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and the same

There are some artistic projects that are really better left on the drawing board. King Lear: The Musical Revue might be one, or Winnie the Pooh: The Opera. The House of Bernarda Alba: The Clown Show is delinitely a candidate for early derailment, but unfortunately for us, no still small voice of sanity prevailed at Sweden's Theatre Manjana, and so audiences at the Purcell Room last week were treated to 80 minutes of Lorca's tragedy performed by an all-

female group of clowns as part of the London International Mime Festival Of course, there must be many of us who, while watching po-faced performances of Lorca, have heretically thought he should be played for laughs. But then there are laughs and laughs. Watching Bernarda Alba performed by seven women in voluminous black skirts and red noses is not a side-splitting experience.

Theatre Manjana, directed by experienced mime artist Nola Rae, whip through the story using a few dozen words and a great deal of physical gusto. Bernarda Alba is played by

London Mime Festival/Sarah Hemming

Clowning about with Lorca

Renée Samuelsson as a Chaplinesque little figure: small, pudgy-faced and mobile-featured, kitted out with a pair of unnaturally long circus boots and a determined air of malevolence. When her youngest daughter outwits her strict imprisonment and dallies with the local heart-throb, Bernarda Alba chains all five daughters to ber belt, and swaggers about the stage with them flapping about her like a clutch of recently slaughtered fowl. The daughters squeak and burble (well, what else can you do when your means of expression are hampered by a bulbous red nose) and communicate through the excited gestures and goggle-eyed expressions usually reserved

There are some inspired moments and entertaining images - Pepe el Romano, the object of the daughters' desire, is portrayed by a man's over-

for theatre for the under-fives.

herself - and to begin with, the show has an absurd appeal. But this soon palls, and the end result is like watching Lorca interpreted by Tom and Jerry. Somebody warn them off Three

Theatre Manjana's show is at least comprehensible, which is more than you can say for the new People Show at the Battersea Arts Centre. This is show number 101, and it it is the

group at its most opaque.

As the show starts, we are in what appears to be a laundromat. A glant washing machine, ateaming and clanking, dominates the stage. It rotates to reveal a group of whitecoated individuals working slavishly at applying fluids, steaming, ironing and hanging up clothes. Every now and then one of them escapes, addresses the audience in confidential

coat that each of them wraps about tones about his or her inner shortcomings, then climbs in through the washing machine door.

What is going on? Are we in the laundry room of some giant hotel? In a futuristic society? A lunatic asylum? Purgatory? While the group becomes more and more inventive, shrinking and growing and splurging out green jelly to back-projections of religious paintings, many of us are still labouring hopelessly at interpretation. Only a glance at the programme can offer enlightenment: apparently this is a show about religious cults, using the obvious meta phor of the dry-cleaning industry. Those who work in dry-cleaners may feel instantly at home, but the problem for many of us is that the group is already on fast-spin while we are

still in pre-wash.
Black Mime Theatre's new show,

Chopin and R. Schumann; 4pm; Feb The Nash Ensemble: with conductor lan Brown and baritone Matthias Gome perform works by Busoni/Stein, Zemilnsky/Stein, Beethoven, Strauss and Mahler/De Leeuw; 7.30pm; Feb 3

Tate Gallery Tel: 44-171-8878000

Sketching the Sky: Watercolours from the Turner Bequest: like many other artists of the Homantic period, Turner painted hundreds of studies of the sky. The act of making these memoranda was essentially an excercise intended to assist the recreation of naturalistic effects in more finished pictures. Yet Turner seems to have become increasingly absorbed with the process itself, to the extent that this can be seen as a

distinct area of his work; to Feb 4

■ NEW YORK

CONCERT Alice Tully Half Tel: 1-212-875-5050 Takes String Quartet perform Schubert's String Quartet No.13 in A minor (Rosamunde), Bright Sheng's String Quartet No.3 and Beethoven's String Quartet In E minor, Op.59 No.2: 2pm; Feb 4 Carnegie Half Tel: 1-212-247-7800

 St. Petersburg Philharmonic Orchestra: with conductor Mariss Jansons and planist Emanuel Ax perform the overture to Weber's Euryanthe, Beethoven's Piano Concerto No.3 in C minor and Rachmaninov's Symphonic Dances; 3pm; Feb 4 The Metropolitan Museum of Art

Tet: 1-212-879-5500 Michala Petri and Lars Hannibai: the recorder-player and guitarist/

lutist perform J.S. Bach's Sonata in F minor for trable recorder and basso continuo, Telemann's Two fantasies, Scheindienst's Variations on an Austrian folk song for sopranino recorder and guitar, and Tartini's Sonata in G minor; 7pm;

Feb 3 EXHIBITION The Metropolitan Museum of Art Tel: 1-212-879-5500 River of Gold: Precolumbian

Treasures from Sitio Conte, Panama: an exhibition of approximately 100 works of art in gold, excavated by the University of Pennsylvania Museum in 1940. Discovered in burials along the banks of the Rio Grande de Cocié in central Panama, the objects date principally from the 8th through the 10th centuries; to Feb 4

Metropolitan Opera House Tet: 1-212-362-6000 ● The Makropulos Case: by Janácek. Conducted by David Robertson and performed by the Metropolitan Opera. Soloists include Jessye Norman, Hakan Hagegard and Graham Clark; 8pm; Feb 1

OPERA

ROME CONCERT Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064 Guarneri Quartet: and violinist Kim Kashkashian perform string quartets by Haydn and Brahms; 8.45pm; Feb 2

SALZBURG CONCERT Grosses Festspielhaus Tel: 43-562-80450

 Wiener Philharmonlker: with conductor Roger Nomington and . pianist Imogen Cooper perform Haydn's Symphony No.49 In F minor (La Passione), Mozart's Piano Concerto No.23 in A, and Beethoven's Symphony No.2. Part of the Mozartwoche '96; 7.30pm;

■ VALENCIA CONCERT Palsu de la Música i Congressos

Tel: 34-6-3375020 Orquesta de Valencia: with conductor Manuel Galduf and violinist Uto Ughi perform Brahms' Violin Concerto in D major, Op.77, and Beethoven's Symphony No.5; 8.15pm; Feb 2

VIENNA DANCE Wiener Staatsope Tel: 43-1-514442960

 Manon: a choreography by Kenneth MacMillan to music by Massenet, performed by the Staatsonemballet; 7.30pm; Feb 2

WASHINGTON JAZZ & BLUES Terrace Theater Tel: 1-202-467 4600

 Hank Jones: performance by the jazz planist. Once sideman with Charlie Parker, Billie Holiday, Coleman Hawkins, Lester Young. Benny Goodman, Quincy Jones, Miles Davis, and Ella Fitzgerald, Jones went on to conduct the CBS Orchestra and the Broadway run of Ain't Misbehavin', among other activities; 7.30pm; Feb 2

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■ AMSTERDAM

EXHIBITION eum Tel: 31-20-6732121 Saved for the Nation. The Collection of the Royal Antiquarian Society: exhibition of works from the collection of the Royal Antiquarian Society, originally founded in 1858 o preserve the Dutch cultural eritage. The show provides a urvey of the objects collected by ne society, many of which have ever been exhibited before. Among ne items on view are drawings, rints, books, atlases, fans, aintings and furniture; to Feb 4

ATHENS

ONCERT thens Concert Hall x: 30-1-7282333

New Hellenic Quartet: perform ring quartets by Puccini, Cherubini, spighi and Verdi; 8.30pm; Feb 5

! BERLIN

HIBITION is Bauhaus-Archiv, Museum für

Gestaltung Tel: 49-30-2540020 Umbo - Vom Bauhaus zum Bildjournalismus: exhibition devoted to the work of Bauhaus photographer Otto Umbehr (Umbo), who is especially known for his portraits, views of Berlin, and photo reportages. The display includes

some 180 photographs, many of before; to Feb 4 OPERA Deutsche Oper Berlin Tel: 49-30-3438401 Aida: by Verdi, Conducted by Stefan Soitesz and performed by the Deutsche Oper Berlin. Soloists

include Waither, Fernandez and

Molsberger, 7,30pm; Feb 3

■ CHICAGO

OPERA Civic Opera House & Civic Theats Tel: 1-312-332-2244 · Faust: by Gounod, Conducted by John Nelson and performed by the Lyric Opera of Chicago. Soloists include Richard Leech, Samuel Ramey, Renée Fleming and Dmitri Hvorostovsky; 7.30pm; Feb 2, 5

■ COLOGNE

CONCERT Kölner Philharmonie Tel: 49-221-2040820 Kölner Rundfunk-Skrifonie Orchester: with conductor Zdenek Macal perform works by Wagner, Mozart and Schubert 8om: Feb 3

GENOA CONCERT

Teatro Carlo Felice

Symphony No.7: by Bruckner Performed by the Orchestra del Teatro Carlo Felice, conducted by Spiros Argiris; 9pm; Feb 2

HAMBURG

OPERA Hamburgische Staatsoper Tel: 49-40-351721 Madama Butterfly: by Puccini. Conducted by Sebastian Lang-Lessing and performed by the Hamburg Oper. Soloists include Miriam Gauci, Yvi Jänicke and Hanne Krogen; 7.30pm; Feb 3

LAUSANNE DANCE Théâtre de Beautieu

Tel: 41-21-6432211

■ Les Ballets de Monte Carlo: perform the choreographies The Prodigal Son by Balanchine to music by Prokofiev and Sheherazade by Fokine to music by Rimsky-Korsakov, 8pm, Feb 3, 4 (6pm)

LEIPZIG

OPERA Oper Leipzig Tel: 49-341-1261261

Katya Kabanova; by Janácek. Conducted by Jiri Kout and performed by the Oper Lelpzig and the Gewandhausorchester. Soloists include Julia Juon, Clarry Bartha and Jörg Schömer, 7pm; Feb 3

LONDON CONCERT

Wigmore Hall Tel: 44-171-9352141 Peter Katin: the planist performs works by Schubert, Beethoven,

posed by France, one of Iraq's

leading creditors, which wants sanctiona lifted, or at least

eased. The US and UK, how-

ever, insisted the commission must not only describe the sit-

uation but say who was

responsible for it. Saddam

would not welcome that. By

offering to negotiate, he has ensured the commission idea

So the stalemate goes on. In the north, an agreement has been reached between the two

rival Kurdish parties, which

until last summer were fight-

ing each other. It provides for

formed by the Iraql National

Congress, an umbrella body to which both parties are affili-

ated. The US has promised to

find resources for this.

Last March the INC did

organise, with the help of one

of the Kurdish parties, an

offensiva against Saddam's

forces in the north. It had

soma success, but soon

stopped, mainly because the

other Kurdish party refused to

join in, and the west again

gave no support. Both the INC

and its western backers were

divided about the wisdom of

snch an offensive. Those

against say the only hope for

a change of regime lies in a military coup, and thet the

INC should encourage this by

befriending the army, not

is shelved.

Edward Mortimer

Worst of both worlds

Five years after the Gulf war, Saddam is still leading Iraq. and still keeping the world guessing about his real intentions

Five years ago Desert Storm was raging. Each night brought a hail of bombs and missiles down on Iraq, smashing the infrastructure of what had been (thanks to its rare combination of oil and a large. well-educated population) one of the Arab world's most

advanced economies. George Bush, then US president, had proclaimed the new world order, and had designated Saddam Hussein as the new Hitler, calling on Iraq's army and people to rise up and overthrow him.

Saddam was defeated. Once allied forces moved forward on the ground, his army fled from Kuwait almost without a struggle. Bush called a ceasefire, taking his own commanders by surprise, as they admit-ted in a TV documentary earlier this month. None favoured occupying Baghdad; all regretted they were not given time to encircle and disarm the retreating army.

Bush had hoped Saddam's overthrow would spare him the need for a ground operation to liberate Kuwait from its Iraqi invaders. The Iraqi people failed to grasp this point. They thought Busb shared their objective of liberating Iraq, and they chose what seemed the most favourable moment to rise up for that purpose, after Saddam had been defeated in Kuwait. They got no help: neither weapons, fuel, food, medicine nor even public encouragement, although the victorious allied army was only a few miles away. When Saddam used belicopter gunships to attack the rebels. Bush's spokesman, Marlin Fitzwater, confirmed that this was "OK".

helicopters for humanitarian and administrative purposes).
Only weeks later, when Iraqi Kurds were pouring over the Turkish border, did western forces enter northern Iraq and establish a "safe haven" off limits to Saddam's aircraft and troops. This still precari-

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because it was not prohibited

by the ceasefire agreement

(which allowed Iraq to use

ously exists, though crippled by a double embargo: the outside world treats it as part of Iraq and therefore subjects it to sanctions, while Saddam withholds supplies because it is not under his control.

A southern no-fly zone was added in 1992, but this is no safe haven: it does not inhibit Saddam's use of ground troops. In southern Iraq as in central Iraq. Saddam still rules, blaming the west for the appalling conditions in which his people live. Many accept this explanation - including some ingenuous, and soma less ingenuous, westerners.

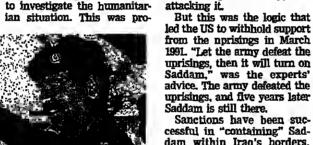
Among the latter are lraq's creditors and would-be suppliers; among the former are churchmen and aid workers who return from Iraq with harrowing tales of malnourished children and bospitals without drugs or anaesthetics. They call for sanctions to be lifted, often ignoring the fact thet food and medicine deliveries have never been embargoed. Iraq apparently lacks the foreign exchange to pay for them, although not for rebuilding Saddam's palaces

and re-equipping his army. The UN security council has passed resolutions allowing Iraq to raise money for humanitarian supplies by selling limited quantities of oil provided a share is spent ou war reparations, and another share goes to the Kurds, Saddam has rejected these resolntions, but now says be will negotiate on the latest one. The news has rattled the oil market, and momentarily restored some purchasing power to the lraqi dinar.

Talks will begin next week. But Saddam's chosen delegate is a middle-rank diplomat who will be given no leeway to negotiate. Few experts believe Saddam is really prepared to accept the UN's terms. If he did, the real income of ordinary Iraqis would be quadrupled, with the UN controlling the distribution of supplies. The difference in standard of living between Saddam's security forces and the rest of the population would be drastically reduced, as would the black market on which he and his cronies thrive. The mechanisms by which he controls the population might be

Under renewed pressure from his former ally, King Hussein of Jordan (who has moved to restrict trade with Iraq and has been talking to Iraqi opposition leadars in London), Saddam has once again got the world guessing about his real intentions. As usual, he is playing for time, while staving off the most immediate threats. The security council bad mooted the idea of sending a commission to investigate the humanitar-

fatally undermined.



dam within Iraq's horders, That is little consolation to Iraqis who have the worst of both worlds, suffering from sanctions and from his arbitrary rule. Increasingly they suspect that the west's aim is not to help them overthrow Saddam but to keep him in office as long as possible, as a way of keeping Iraq weak.

LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SEI 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters editor@fl.com. Translation may be available for letters written in the main international languages.

Priority should be for British Council

From Mr Bernard Simon. Sir, As a former British Council scholar from Belgium I add my voice to yours ("Penny wise", January 30) in defending the role the council plays in promoting UK

As a case study, mine is specific and quantifiable. The small investment in my graduate education (£2,500), which was divided between me and a medical student from Luxembourg, earned the Treasury a good multiple of thet sum in taxes and National Insurance (excluding rates, consumption, interest and banking services), two sons in British private schools, and a very modest contribution to British merchant banking in the far east. My wife, moreover, is British.

The dedication and wisdom of the director of the British Council in Brussels at the time, Mr David Jenkinson, was behind this shrewd investment decision, let alone the goodwill created. His budget was being reduced progressively, with a responsibility for both Belgium and Luxembourg. There were two deserving candidates, in his view, so he allowed us to share the bursary. It is the sum total of these wise acts, by the poor relations of the diplomatic service, that should spur the latter into becoming more sensitive to the trade realities of today's world, or

face a shake-up.

The priorities should be put right: reduce idle diplomatic staff, protect and expand the budget of the British Council so that British trade may thrive, Mr David Howell's view should prevail.

Bernard Siman, senior analyst, **UBS Securities** 2-2-2 Otemachi, Chiyoda-ku, Tokyo 100, Japan

Tax on grain exports from the EU is the only rational move

From Mr Douglas Hogg MP. Sir, I was surprised at your criticism ("A missed chance" January 25) of the decision by the EU agriculture commissioner Franz Pischler to introduce a tax on grain exports. I think it is wide of

The EU's problem with cereals, as for other important products, has always been big surplus production that had to be exported with expensive

In 1992 the EU cut grain support prices, introduced cash navments to farmers to compensate for the cut, and went in for set-aside. The alm. was to enable it to live within the General Agreement on Tariffs and Trade-Imposed limits on subsidised exports.

That is not the British government's notion of an ideal policy. But it was where Mr Fischler had to start from in deciding how to react to the sharp rise in world grain prices that have taken them above the EU support level. You say that, instead of an

export tax, set-aside should have been relaxed or the compensation payments reduced. On the first, you seem to forget that crops take time to grow. Grain now available on the KU market was sown in the autumn of 1994. The Agriculture Council did reduce set-aside for that crop. Had it been able to foresee

the high world prices that materialised a year later, no doubt it would have made a bigger reduction, secure in the knowledge that the surplus could be exported without subsidy. But it was not so omniscient. Last autumn, the set-aside requirement was cut further; hut, of course, the grain will not become available

until this summer. On the second, I have recently written to Mr Fischler drawing his attention to the massive over-compensation to farmers resulting from the fact that EU market prices have fallen by much less than expected when the compensation payments were set in 1992.

l very much hope he will recommend the Agriculture Council to reduce the payment rates. But this would only take effect from the next crop: the payments on the 1995 crop have already been made. So what should be done here

and now? Surely an export tax. which benefits consumers and reduces the degree of over-compensation to farmers. is an entirely rational move. Should we really signal to consumers that the Common Agricultural Policy can never work in their favour because

price, whichever is the I would very much welcome cereal farmers being fully exposed to world price movements. But I can see no point at all in an exposure that

they must always pay the EU

support price or the world

Douglas Hogg, minister of agriculture, fisheries and food. Whiteball Place, London SW1A 2HH, UK

goes in one direction only.

Constraints to development of Internet

From Professor Ippei

Wakabayashi. Sir, Your article "Drowning, not surfing" (January 22) was interesting and suggestive, and Mr Michael Beirne's critical comment "Japan may have been slow to catch Internet fever but it will make good its promise in 1996" (Letters, January 24) is persuasive on soma points. The present Net culture is changing rapidly as indicated by Mr Beirne, but

This is the very point. The Net is changing constantly. Most people have a strong need to join in the Net culture, but the present Net culture prohibits it. Why? Because today's Net culture is mainly based on the PC culture that started from the hobbvist sub-culture in the 1970s and

towards where?

has grown up into the present sophisticated systems. Ordinary users enjoy no more than a small, limited part of it. Only professional or manic users can fully enjoy such

Ironically, we know many "professional" PC users are suffering from problems with bad user interfaces: the sudden freezing of the desktop screen, and the unincky and suddenly-occurring system crash. I am sorry, hut Macintosh is no exception. The majority of people never support this kind of PC culture. They support really easy-to-use systems like TV, VCR or microwave equipment.

Their needs will make the next

Net culture and create oew.

easy-to-use equipment and

popular programs.

The Net culture was born in the US and Europe, and has been spreading out to the rest of the world. In the 21st century it will enter the next stage, where more than 2bn people enjoy it, including the world's largest populations, China and India, Japan Inc may succeed in making new consumer products like "Netkaraoke" or "Net Nintendo", but on the other hand many newcomers will be able to ride the next surf using the new Net environment.

Ippei Wakabayasbi. **Faculty of International** Studies, Bunkyo University, 1100 Namegaya, Chigasaki, Kanagawa 253,

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Hidden champions take a bow

Germany's most successful companies are often its minnows rather than its giants. While the names of such multinational concerns as Siemens, Volkswagen and Daimler-Benz commonly symbolise the might of the German economy, it is the myriad smaller and medium-sized (Mittelstand) compa-nies that provide the real impetus behind exports, economic growth and jobs.

Hermann Simon calls them the "hidden champions". Many of these companies, of which he has discovered more than 500, have world market shares of between 70 per cent and 90 per cent. Few big companies can even dream of this. In his new book, also to be published in the US, he subjects this layer of industry to intense

scrutiny.

He is also, however, con-cerned about its future. The best companies will survive, but high taxes, hureaucracy and the financial burden imposed by Germany's generous social security system will push many to expand even more rapidly abroad. Their growing worldwide presence will help create new jobs at

Yet Simon - a former man agement lecturer at Mainz uni versity who now heads the Simon, Kucher & Partner consultancy in Bonn - sees "seri-ous dangers" for the Mittel-stand, around which a debate has recently flared up concern-ing tax ratea, investment incentives and innovation.

The book deals with the com-panies rather than the system within which they operate. But Simon admits he is pessimistic about whether government concern over jobs and eco-nomic stagnation will result in much action. "Millions of Germans have got used to support from the state," he says. Thus he doubts whether enough will be done to cut the social security budget and reduce the levies which add to industry's

Through their very determi-

nation, the companies studied by Simon have so far managed to deal with such impediments. Some of his champions are really hidden. Outside their own - often highly specialised - sectors, many are barely known. For instance, Hauni leads the world market for cigarette machines with a 90 per cent share. Tetra holds more than half the world market for ornamental fish food. Others with dominant positions in their often esoteric markets include Binbold (anatomical teaching aids such as skele-

A new book tries to find out why small companies are Germany's success stories, says Andrew Fisher



Competitive advantages of "hidden champions"

Value for money Sales/distribution Delivery policy Percentage of "hidden champions" citing these factors

Some of Germany's world market leaders

COMPANY	PRODUCT, T	TURNOVER (DM)	EMPLOYEES
SAP	Business software	1,800	5,000
Aesculap	Surgical instruments	525	-4,500
Hille & Müller	Cold rolled steel	500	1,500
Ex-Cell-O	Machine tools	450	1,300
Märklin	Model railways	220	1,700
Arnold & Richter	35mm film cemeras	195	700
ASB Grünland	Potting compost	191	465
Matth. Holmer	Harmonicas, eccordions	190	1,050
Grenzebach	Glass handling equipme	nt 100	450
Hensoldt & Söhne	Telescopes, binocutars	90	957
Source: Nickley Chemojon			

tons), Götz (dolls) and Aixtron (coating plants for semiconduc-tors). Simon's champions also include some companies which are well-known in German industry: SAP, the fast-growing business software producer. Märklin (model trains) and Leybold (coating and vacuum technology).
What characterises all these

companies - defined by being number one or two in the world market or first in Europe and having a turnover below DM1.5bn (\$1bn), with a faw exceptions - is a strong com-mitment to be the leader of their field, and even to define the very nature of their market. As well as producing innovative products, they take pains to ensure quality, follow-up service and punctual delivery and repair. Reliability is vital to their success Simon decided to try to discover the root causes of these champions' success. The main requirement seems to be sheer obsession. "The hidden champions strive for market leadership - nothing else." And they are tireless in seeking this goal, over decades if necessary.

They are also extremely innovative, frequently produc-ing technological breakthroughs. Such star companies tend to have several times as many patents as big companies, measured by size of workforce. But they focus with equal intensity on technology and marketing. Closeness to customers is an obvious attribute. But they also watch their rivals like hawks.

Showing how excellence can breed imitators, and thus competitors, Simon notes that top companies in specific fields are often in the same town or region. He cites the examples

of Würth and Berner in assembly products and Aesculap. Storz and Martin in surgical instruments. Such companies thrive – if they do not go under – on direct competition. But all the hidden champions attack their competition wherever it is to be found - "they defend their market shares bit-

Spurred on by their strongly individualistic and combative streak, snch companies set their own pace and style. "Hidden champions go their own way," says Simon. "They do things differently than other companies and do not follow what popular management gurus say." Admirable though this is, however, such egoism also has its drawbacks, especially since most star compa-

nies are family-owned.
The most obvious is the succession problem. As the founders age, they have to hand over the reins. But many company owners do not want to step down. "Strong personalities don't want to give up." Nor do 🖔 they always have heirs willing or able to take over. This can be solved through managemen bny-outs or trade sales, but new owners have to ensure that these companies do not lose their character or free-

Yet if Germany's example is so potent, wby are there no outstanding business personal-lties there to match Bill Gates in the US or Richard Branson in the UK? One reason is envy. Simon says. "In tha US or Japan, people envy Bill Gates in a positive sense. Here, the response tends to be negative people comment on how high their tax bill must be. The effect of envy is that people keep out of sight.

This means there is no posi-tive motivational effect. Locally, German business leaders are well known. Bot unfortunately, they are not visible enough to set a wider example." It is also not the usual style in Germany to parade one's success. Tough and dynamic the bosses of the champion performers certainly are. But they are keen that they, if not their companies. should stay hidden.

Die heimlichen Gewinner (Hidden Champions). Die Erfolgungstrotegien unbekannter Weltmarktführer. Campus Ver-lag. Frankfurt. DM68. (English version to be published in May by Harvard Business School Press, Boston, US, as Hidden Champions - Lessons from 500 of the world's hest-unknown

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Wednesday January 31 1996

Hanson: the end of an era

Three decades ago, James Hanson and Gordon White started their life's work: turning a small company with interests in truck sales and fertiliser sack hire into one of Britain's biggest businesses.

Yesterday, five months after Lord White's death, Lord Hanson answered the question of what is to become of the company as its founders leave it.

By splitting Hanson into four, he is acting as boldly as in any of the takeovers that made the company a conglomerate with a stock market value of £11bn (\$17bn). While it must have been tempting to leave behind a giant enterprise bearing his name, the new bearer of the Hanson escutcheon will be an unglamorous £2bn-a-year sup-plier of building materials. Hanson's raison d'ètre was the

purchase of underperforming companies, the sale of their peripheral assets, and a fierce focus on the profitability of what remained.

In this way, the group was able to cover the costs of its Imperial Tobacco acquisition from disposals, and still have a business generating £350m in operating profits. Similarly, it was able to recover one and a quarter times the price it paid for SCM in the US, and still retain a profitable specialty chemi-

cals company.

The demerger underscores one fact about the company that its detractors sometimes forget: it has always had a cadre of strong, profit-oriented operating managers, capable of filling the top jobs in

four substantial companie Yet the risks it took in making bold, often contested, acquisitions were offset by a determined caution in its operating style. This approach, with its emphasis on short-term payback, was heavily criticised. So, too, was the group's strong Anglo-American focus. The Hanson formula was inoperable in

Europe. Nor did the company ever seek to build global brands.

In the absence of more effective pressure by institutional investors for improved corporate performance, predators like Hanson have performed a necessary function, especially in mature or declining industries. That way of working did, however, become controversial when it appeared to pose a threat to a higher-tech, cap-ital intensive business in the shape of Imperial Chemical Indus-

ICI's robust counter-attack, in resonse to the build-up of a Hanson shareholding, was a turning point, in that it seemed to reveal son itself. The demerger solution at both Hanson and ICI is a much better outcome than would have been a combination of these two

very different companies. Hanson itself had grown too large, and arguably too complex for the kinds of acquisition that fuelled its growth. It has in any case been handicapped by the loss of Lord White, the partnership's deal-maker. The stock market has become more preoccupied with growth stories, and less enamoured of a focus on turnrounds in unexciting and mature industries.

Hanson was a product of its time, and that time has gone. The shares have underperformed for some time, if - when - compla-cent managements and underpriced assets re-emerge, so will the Hansons of the next genera-tion. In the meantime, all credit to Lord Hanson for devising a solution that provides an attractive denonement to his career, and which may contain lessons for other large and undeperforming groups. This is a fitting curtain call for a group that has been both

Jobs for Germany

The "comprehensive" action plan to boost growth and jobs announced by the German cabinet yesterday is not, by any stretch of the imagination, comprehensive. Nor is it likely to raise domestic demand and employment in the near future. But incremental, towards reforming the German supply side are a good deal better

Observers will spot many an old friend in the programme. One example is the plan to abolish the local trading capital tax which Mr Theo Waigel, the finance minister, has tried, and failed to get rid of

in the past. Yet the package does at least press many of the right buttons: deregulation of the economy, reductions in social security contributions, pro-business tax reforms. The issue is whether today's relatively reformist climate will last long enough for the measures to pass through the consensual political process into law. Economic distress triggered sim-

ilar talk of German structural reform in the past, only to falter as the economy began to pick up. Many of yesterday's proposals were in fact reminiscent of the action plans of 1993, when many argued that Germany would never escape recession without a funda-

recovery of 1994 - and subsequent revival of faith in the German model - caused many of those pro-posals to be shelved. Yesterday's proposals could all too easily suf-fer the same fate if output and demand began to revive over the should note that at least threequarters of Germany's nearly 10 per cent unemployment rate is

structural, not cyclical. Chancellor Helmut Kohl will not be able to achieve his promise to halve unemployment by the end of the century on the strength of yesterday's package alone. Above all, the plan almost entirely fails to address the question of deregulating the service sector, where a large share of the new jobs would have to come from.

As ever, the greatest short-term bopes for a revival in German growth must lie with the Bundesbank. Although the December money supply figures were stronger than many expected, the poor state of the economy might trigger a second cut in the discount rate, presently 3 per cent, as soon as Thursday's council meeting. But in the negotiations to come Mr Kohl and his social partners must not repeat the time-honoured rit ual of talking about supply-side cures, but relying on the relief of

Old clothes

There are so few public clues to the thinking of the Chinese Communist party that the fashion Outside the leadership compound. statement carries as much weight as the politburo communiqué. In recent days, Jiang Zemin, party leader and anointed heir of Deng Xiaoping, has been gracing publi meetings in an off-khaki Mao suit. Both the colour and the cut of Mr Jiang's outfit provide important hints about the shifting strength of factions and the direction of

Khaki is a concession to the People's Liberation Army, whose support is essential to the durability of a Chinese leader. And the high-collar is favoured by elderly conservatives, whose retro taste in clothes matches a political philo-sophy steeped in the past glories of the Communist party.

Strategic changes of clothes have marked the turn of political trends over two decades of Chinese reform. In the cruelty and chaos of the Cultural Revolution. there was no choice. The western suit was evidence of decadence and an invitation to be purged. What westerners know as the Mao suit, which Chinese call the zhonoshorifu in honour of an earlier revolutionary, Sun Yat-sen, was standard issue for safety-conscious party leaders. In the 1980s, when confidence was growing, leading reformers were willing to take the

Chinese began experiments with loud ties and wool-blend fabrics Hemlines now rise and fall with the tide of secular fashion.

But the sartorial struggle goes on within the Communist party. After the Tiananmen tragedy in 1989, Mao-suited conservatives dominated. At the onset of other campaigns against "evil winds", "spiritual pollption" and "bourgeois liberalisation", reformers found it convenient to return to the wardrobe and prove their political purity by stealing their

Apart from the traditional tunic, Mr Jiang, by Chinese standards a middle-of-the-roader, has acquired conservatism. Suddenly, he is alarmed by "cultural trash" and insistent that the country not "sacrifice ideology" for economic

There is obviously conflict in the Communist party. It could be that unreconstructed conservatives have mustered the numbers to threaten economic policy. It could be that Mr Deng is very close to death and the succession brawl has begun. China remains unpredictable and, as the next emperor, Mr Jiang has good reason to worry about his clothes.

Douglas Hurd says that pressing ahead with a single currency on the present timetable could damage the wider aims of the European Union

ome of us who have worked for the coming together of the peoples of those who manage Europe. You should no longer make support for a single currency the overriding test of support for the European

The fathers of the European Community believed in the doctrine of the "great leap forward". It was not enough for the European Commun. nity - now the European Union - to make gradual progress step by step. Such steps would end in nothing

Instead, the imagination had to be caught at intervals by some dra-matic move forward, with a clear timetable. Thus the European Community was born, and later the sin-gle market. Thus, the concept, the criteria and the timetable for economic and monetary union were agreed at Maastricht.

It was not seriously argued on economic grounds at the time of the Maastricht conference that a single market required a single currency The single currency was devised in a sincere and honourable way as the next political leap forward. There was no repetition of the arrogant mistake made at Messina in 1955 when the UK refused to take any part in preparing the Common Market. This time the UK is part of the preparation of the project but thanks to John Major's opt-out, not

committed to the outcome There is now a muffled cry in unexpected places either for postponement of the timetable or dilution of the criteria for monetary union. Dilution is difficult because although some sophisticated Germans worry about too strong a D-Mark, German public opinion fears that the Euro-mixture is too weak. Postponement is difficult cause the timing is in the treaty and the signatures on the treaty were powerful and determined. I do not underestimate the strength of

this honourable determination. It is not logical for the UK to request a postponement because the UK has no commitment to join. It is not at all easy for those who wish to join but may be unable to ask for a postponement because this looks like a confession of weakness. But someone has to face reality. All have tactical and political difficulties. But the Germans are best placed without humiliation to suggest postponement.

The reasons for the cry are clear enough. Instead of unifying the Europe of 15, the Emu proposal divides it into three clubs. There are those which, by the beginning of 1998, will probably be both able and willing to join a single currency in 1999. There are those which will be willing at that date. Finally, and most polgnant, there are those which are anxious to join, but who will not be able to meet the criteria if the treaty stands as it stands today and is interpreted with reasonable rigour.

Second, the relationship between member states which will be in the monetary union and those which will be outside it is now to be examined. It was not examined at Maastricht because the assumption was that at least all the important states would be in. Unless this study is agreed and successful, there is a danger that the single market itself might begin to unravel. What had been devised as a leap forward in unity would then become an angry retreat in division.

union falls at an awkward stage in the economic cycle. Growth is slowing across Europe, unemploy-



Hold fire on monetary union

ment is a main preoccupation. Nothing in the treaty defines the It is good in itself to reduce government deficits and public debt and to keep inflation under control. It is a ludicrous paradox to see some British economic commentators, known for their rightwing virtue, beginning to preach vice to France in the form of deficit, debt and devaluation - simply because virtue is now identified with Germany and the Maastricht treaty. Rational British Conservatives can see in what Alain Juppé is trying to do some of what we are glad to

have done ourselves. But these necessary reforms are best accomplished by national persussion on a national timetable. Such flexibility is not available to those whose main priority is to join the single currency on the timetable

Third, the timetable for monetary in the treaty. Fourth, after convergence, what?

morning after. A distinguished Italian told me this month it was possi-ble that with a great effort Italians might train themselves down to the necessary weight to qualify one day for the match - but everyone knew that the day after there would be a great rule-breaking feast.

Expecting this danger, Mr Theo Waigel, the German finance minister, is now devising a fitness club which would keep everyone under-weight for ever. This club is not in the treaty. Its underlying thought would be widely and deeply unpopular in practice.

If we all continue as we are, the European Union as a whole is in danger of falling into what at Maastricht was simply the Danish delu-sion. I remember well the Danes chiding the British negotiators then because we were so slow and so hesitant, and insisted on so many changes in the draft. We were told that the Danes had overcome all these hesitations. But those who told us were wrong about one basic element, the Danish people, whose initial rejection of the treaty came close to derailing it. We hear the same voices again

today. Sometimes they politely chide those who hesitate for lack of leadership. But leadership in a democracy consists of being one step ahead of your followers. If you are 20 steps ahead, nobody follows.
It is said that postponement would mean that Europe was condemned to stagnation or even disintegration over the next few years. That is not so. It arises from the fallacy that at any one time there is only one test of European success.

On the contrary, member govern-

ments can put forward an agenda

for Europe of buge significance. We have to enlarge the Union to the east as we have promised. We can no longer pretend that half of Europe is the whole of Europe, or that Prague, Warsaw and Budapest are not as European as Rome, Paris

Beyond those countries lies som thing else. At the time of Maastricht it was possible to imagine that Russia would evolve fairly smoothly towards liberalism in political, economic and foreign policy. We see now by contrast, that the confused turbulence of Russia is likely to pose the greatest single problem for

I see no reason of interest or instinct why there should not be an agreed common European policy towards Russia. We do not need a new treaty for this. We need the will and the wit to use the provisions of the existing treaty in a con-sistent and professional manner. We would then be a valid partner for the US in tackling what is likely to be our great single joint problem. None of this was apparent at the time of Maastricht. It is apparent now, and we should act on it.

Within the European Union we have to complete the single market and show its importance to our citizens. We are all committed to the ever closer union of peoples".

his does not mean the or the gradual and indef inite transfer of author ity to Brussels. It means the intertwining of the lives and work of our citizeus, our professions, our businesses through effective competition, the elimination of state subsidies, the implementation of the Gatt agreement and privatisa

There is plenty of detailed work which is not complete. For this pur-pose we need the supranational nstitutions which exist - the Commission, qualified majority voting in spheres which it already occupies, a court, a directly elected par-liament.

Those who have felt in their hearts that the single currency was becoming the wrong test for the success of the EU have, until recent weeks, been mainly silent. We felt perhaps that, if we spoke out, we would give comfort to those whose aim is quite different - namely to reverse the processes of Europe, to win votes from xenophobia, to narrow our horizons back to 1935 or

But opponents of the EU in several countries will gain strength above all if the leap forward to a single currency finds no solid ground at the other side of the to be modified - the European Defence Community in the 1950s and the first plan for economic and monetary union in the early 1970s. Perhaps Europe is now sufficiently mature to see that the concept of the great leap forward is flawed.

National governments are judged at elections, not by what they promise for the future, but by how they are performing in the present. At present the European Union lacks something which we can and should supply between now and the end of the century: a link which the citizen welcomes between the work of the EU institutions and his or her daily life, a sense that the security and prosperity which the EU has brought is well founded and can be

The author was UK foreign secretary between 1989 and 1995, and is now deputy chairman, NatWest Markets

OBSERVER.

Hole in the thesis

■ Just when his faction-ridden seven-party coalition seemed finally to be coming to heel, Thai prime minister Banharn Silpa-archa has fallen into trouble for his extra-curricular activities or non-activities.

The latest kerfuffle concerns a masters thesis for a law degree which Banharn somehow found time to submit last year - in between masterminding a government collapse, gaining victory in the subsequent election. organising a coalition and assuming power. That's not to mention the handful of foreign

trips he undertook. The thesis tackled political party funding and had two principal flaws. First, the author quoted extensively from French-language material for which no Thai translation exists. Banharn speaks no language other than Thai. Second, passages of the thesis

were found to be identical to a research paper written for the interior ministry by Banharn's thesis adviser, Pokin Polakul, who speaks fluent French and holds down a ministerial position in Banharn's own office. Surely Banharn didn't have

Pokin write a thesis which Pokin then cobbled together from hits of his own work? It would be a pity, because

Banharn, who has been known throughout his political career as a "walking ATM" because of his propensity to dole out the cash. probably knows more about the intricacies of political party funding than all of his profe

Citizen Hanson Hanson's dramatic decision to break itself up into four companies is rather at odds with the corporate

adverts it has been running on US TV recently. The ads, extolling the benefits of a conglomerate, have pozzled US viewers. They use the plot of Citizen

Kane, where the March of Time newsreel tries to understand a dead capitalist's thinking by examining his investments. The black and white footage shows the executive buying businesses in bricks, coal, timber and so on But what, asks the newsreel's editor, was the common theme? Cut to the dying man's final whisper... Hanson.

Foxy Ailes

■ When Rupert Murdoch announced last November he was launching a 24-hour news network to rival Ted Turner's CNN, he said that the Turner channel had moved "further and further to the left" in recent years. Now he is restoring the balance by hiring

Roger Ailes to run Fox 24 hours. . Ailes has been in television for more than 30 years, starting in 1965 as a 25-year old "prop boy" on one of the early US talk shows. But he has also had a sideline in political consulting, advising three US presidents – Nixon, Reagan and

Asked yesterday if the programming on the Fox news channel would be more right wing, Ailes replied that he had quit politics years ago. But he planned to bring back objectivity where it was lacking, he said, through "fine, balanced journalism". Which is probably a "yes".

No quavering At least Gerd Afbrecht, the embattled chief conductor of the Czech Philharmonic Orchestra who quit yesterday, went with a

The elegant but imperious Albrecht, who has fallen out with everybody who matters in Czech cultural circles, made sure he flagged his press conference well in advance. He was rewarded with an audience that packed Prague's Rudolfinum concert hall, home to the CPO.

To the massed ranks of Czech and German media he read a prepared statement that shed little light on the reasons for his departure - which appeared to have a lot to do with the difficulties of being a German in

charge of a pillar of Czech culture. Still, it was quite a performance. prompting one participant to question whether even Heimut Kohl or Vaciav Klaus, played their audience quite so masterfully. Perhaps a career change is in

Which platform? Roger Bootle, group chief splendid job of denouncing the "trains, boats and planes" school of economic theory (to whit if it's leaving, you'd better board it, regardless of its destination). At the first City Debate on Monday at the Mansion House

sponsored by the Futures and Options Association. Bootle and team were speaking against the motion that the City's best interests were served by the UK joining a putative single currency. The audience were polled before and after the debate for figur own

Earlier in the day, Bootle had confided be was not looking to. effect much of a swing, expecting opinions to be "firmly entremeted": In the event, the City punters

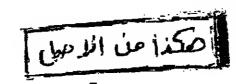
proved to be a remarkably flexible lot. From 37 per cent for and 51 per cent against the motion, the audience moved to 24 per cent for, 78 per cent against: But then everyone knows the City only holds short-term views.

100 years ago The Phracus Larissa railway

At the London Bankranticy Court yesterday, William Eckersley, railway contractor, obtained an order of discharge subject to a suspension of three years from November last. The bankrapt, a member of the instincts of Civil Engineers, was concerned in the construction of the Pirasus Larissa railway for the Greek Government, and with others that about £453,000 in respect to the work done on that railway. He sittingtes his failure to the action of the Greek Covern-ment and the min settlement of of the claim upon the contract

50 years ago

President arges mack action Calling upon Congress to ratify the Anglo U.S. loan agreement, President Truman stressed that the loan of £937,508,000 was essential to the life and work of the British people. The President said it would at the same time said it would at the same time "keep open the market for those surpluses of U.S. goods which are customarily experted to the U.K. Discussing the clause in the loan agreement which would waive the payment of interest in any year in which Britain finds the air inadequate dollar balance, the President said. It is not to our advantage to the payment of the loan in the president said. It is not to our suspenses to press for payment of interest when payment is impossible, and thus force default and a crumbling of international relations.





ANCIAL TIMES

Wednesday January 31, 1996

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Brussels faces rough ride Fed may over merger vetting plan

by the European sion to extend its powers to vet company mergers ara likely to get a rough reception from member states when they are unveiled today.

Officials say that, after exten-

sive consultation with industry, they believe that too many mergers affecting the EU's single mar-ket fall outside the scope of the Commission's merger taskforce.

Under existing rules, mergers are referred to Brussels only if the combined global turnover of the companies involved is more than Ecu5bn (\$6.35bn) and at least two of the merging compames have a combined turnover of more than Ecu250m inside the

A green paper by Mr Karel Van Miert, the competition commissioner, proposes a reduction in the thresholds to Ecu2bn and Ecn100m. The paper is expected to be endorsed by fellow commissioners at today's meeting of the EU's executive hody.

By Richard Adems in London

Bowls of fruit and free shampoo

are the usual gifts in hotel rooms

for business travellers. But not in

Thillist, capital of Georgia, where the \$264-a-night Metechi Palace Hotel provides a free candle for

guests, as electricity in the eve-

Power supplies are more regu-

lar in Moscow, but 24 hours spent there will set back the average

business traveller \$548, making it

the world's most expensive city

to do business in, according to an

international survey published

yesterday. At the other end of the

scale, a day and night of business in Minsk, capital of Belarus, costs

The survey by EuroCost-

Luxembourg, an agency con-

nected to the European statistical

nings is rare.

only \$125.

bid by the British motor components manufacturer T&N for Kolbenschmidt, a leading German piston manufacturer, would automatically fall under the scrutiny of Bruse The bid has been rejected by

the German authorities. Bruss has been asked for its opinion, but the combined turnover of the two companies is too low to qualify for an automatic referral. Certain member states - notably Germany and the UK - are likely to oppose a steep reduction in the thresholds, preferring to

keep merger policy under the control of their own competition authorities. "We are not convinced that by lowering the thresholds, the Commission would catch mergers

with a truly community-wide impact," said a British official. Diplomats also doubt whether tha Commission has tha resources to deal with an extra 65-80 cases a year, which would almost double its workload.

More room for your rouble

in Minsk than in Moscow

double room in a city centre

hotel, lunch and dinner for one,

two short taxi rides, telephone

calls, drinks, laundry and a daily

newspaper. The difference between Minsk

and Moscow lies in the cost of accommodation. The four and

five-star hotels that have sprung

up in Moscow since the end of

the communist era are the most

expensive in the world: an average of \$390 a night for a double room. In Minsk, the standard of hotels is poor, reflected in their

average \$96-a-night tariff. The

restaurants of Minak are medio-

cre, international telephone lines

are difficult to find, and taxis are

capitals are now among the

world's cheapest destinations.

The Armenian capital, Erevan

Other former Soviet regional

rare, according to the survey.

member states, the Commission has prepared a fallback position which would give it the authority to vet mergers involving more than one national competition

This would promete the princi-ple of a "one stop shop", allowing merging companies to notify just-one competition authority rather than all the relevant national authorities in some EU mergers, as many as four or five bodies. need to be alerted.

"If you are not going to reduce the thresholds then you have to maintain the one-stop shop prin-ciple by alleviating the burden en industry of multiple notifica-tions," said one industry execu-

However, lawyers suggest that this option would be difficult to organise as the thresholds by which mergers are caught under national rules vary among mem-

Dispute at EU over contract

(\$126), a dubious difference since

food shortages in Erevan are

The study also surveys the costs of taxi rides from airports

to city centres. Cheapest is the

19km journey to the middle of

Suva, Fiji's capital, for only \$4,

while the taxi fare of \$75 from the

university town of Oxford to Lon-

don-Heathrow airport is £2 more

than a hotel room in Vilnius, cap-

Tokyo, traditionally the most expensive destination, is second

most expensive at \$516 a night,

making London (\$352), New York (\$342) and Beijing (\$323) a snip in

Business Travel Expenses Guide,

Ecu350, published by EuroCost-

Luxembourg, 1 rue Emile Bian,

L-1235 Luxembourg; (352) 498458.

ital of Lithuania.

ity supply is intermittent.

cut rates after poor **US** sales figures

The chance of an early cut in US interest rates nose yesterday fol-lowing the release of unexpect-edly weak economic data on conumer confidence and sales, The data were released shortly before Federal Reserve

governors and regional presi-dents began a two-day strategy meeting in Washington Some economists said the Fed was likely to cut rates as soon as today, at the conclusion of the meeting. Others and the Fed might wait weeks for mather con-

firmation of economic weakness. The Fed out rates by a quarter point to 5.5 per cent last month. Hopes of a firther rate cut lifted US markets yesterday. In early afternoon trading the

Dow Jones industrial average was up 48.06 to 5,258.03, while the US long bond was up just under three quarters of a point at 111%, to yield 6.040 per cent.

The Conference Board, a business analysis group based in New York, said consumer confidence fell 12 points this month to 87.0, the lowest level in more than 18 months.

The Commerce Department said retail sales rose 0.3 per cent last month, marking a lacklustre Christmas retail season, Financial markets were expecting a sales gain of about 0.7 per cent.

If the Fed decides to ease mone tary policy, the likeliest move is a quarter point cut in the federal funds rate - the rate at which banks lend to each other - to 5.25 per cent. However, the Fed could opt to lower rates by a half point to 5 per cent. A half point cut would require a parallel cut in the discount rate - the rate at which the Fed lends to banks -

which is currently 5.25 per cent. The Fed's decision will be based largely on its ass of economic trends. If it believes the economy is weak, it is not expected to delay a rate cut balancing the federal budget.

With inflation apparently subdued, the case for easing policy is that economic growth appears to have slowed to an annual rate of perhaps 1.5 per cent, below the economy's estimated potential of just over 2 per cent.

The Conference Board said the large drop in consumer confi-dence might have partially reflected unusually cold weather and the recent shutdown of the federal government.

However, looking ahead six erably less optimistic now as compared with December".

THE LEX COLUMN

Hanson's handsome move

The breek-up of Britain's archetypal conglometate, Hanton, is a sensible retrest from its long-esponsed philosophy of diversification — and a useful pny or inversing and a medial escape route from its draining dividend pelicy, it may not reap the same rewards, for shareholders as the demengers of FIT, Racal and, eventually, Thorn EMI. There are no high growth businesses that have been higher these contractions. den within a behemeth, as with Thorn and Racal, Indeed, the sum of Hanson's parts could arguably be worth less than the whole. The damerged group will carry multiplied head office group with carry managers mean eight costs and an increased interest and tax burden, and its chemical profits will shrink under US accounting poli-cies. Nonetheless, Hanson is making

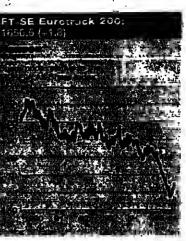
the jest of a bad lot. Having failed to inspire a stock market recovery through the demerger of USI and the acquisition of Bastern Group, Hanson was running out of options. It suffers from weak cash flow, exacerbated by an extremely high dividend payout. And there is the sion, with hints that Lord Ranson, wanted to support a dynasty; both his son, Robert, and Mr Christopher Collins - a niece's husband - gained recent promotions. The detnerger addresses both concerns. Dividends will be paid in line with sectoral peers, pointing to an overall decline - something which is strategically wise, but would have burt old Hanson's ghares. And the family is left controlling the residual business, which looks like another conglomerate in the making. But shareholders stand to benefit

from the deal. In the long-run, man-agement focus should improve perfor-mance. And more immediately, imperial Tobacco and the chemical business look like potential bid targets and should attract market ratings to match. It is not yet possible to evaluate the tax implications of the break-up. But assuming the costs are not operous, Hanson is right to bite the bullet.

Germany

The German government's stimulus package reads like an industrialist's wish list. It includes cuts in taxes and social security contributions, deregulation of the economy and more venture capital for young companies. There is even talk of opening up the electricity and gas markets to competition, and further privatisations.

The real question is how many of



into practice. Germany has a tendency to abandon unpalatable structural reform at the first sign of renewed economic strength. But with rising memployment, uncompetitive labour costs and a faltering pension system. the economy urgently needs reform. Yesterday's peckage is at least a sign that the politicians have begun to recognise this.

Fortunately, the corporate sector is not waiting for them. Groups from Daimler-Benz to Hoechst and Siemens are focusing increasingly on improv-ing profits and cash flow. If that trend continues to spread, the scope for improving returns across Germany's corporate sector is huge. The 8 per cent rise in the German stock market this year - making it the best performer in Europe - suggests investors are beginning to recognise this. Successful economic reform should contime to underpin valuations.

Repsol

Investors have a very simple reason for snapping up the Spanish govern-ment's fourth offering of Repsol shares, By international standards, they look a bargain. At less than 10 times this year's earnings, they are much cheaper than most oil stocks. A rating as low as this is undeserved. Repsol's dominance of its domestic markets is formidable, and

these are growing healthily by Europe's singgish standards. True, the company is as exposed as any to volatile chemicals markets. But a strong position in Spain has given Repsol some cushion from the overcapacity problems which have plagued Euro-pean refining. And its gas interests

provide some high-quality earnings growth domestic gas demand is expec-ted to double by the end of the decade, The gas is that all this has long been true, but the share price has obstinately failed to reflect it. Indeed, the shares have underperformed Repsol's European competiture for the last two years. Partly this is because ratings in the Spanish market tend to be low by international standards. Furthermore, the prospect of further offerings has dogged Repsol's share price. By choosing, for no obvious reason, to retain a 10 per cent holding - on top of its golden share - the Spanish government risks perpetuating this problem. obstinately failed to reflect it. Indeed, ment risks perpetuating this problem. Still, investors are right to expect Repsol's underlying strength to shine through - in the long run.

Electrolux Electrolux's 1995 results give little

cause for cheer, notwithstanding the upward spike in the Swedish household appliance maker's share price yesterday. Most likely, investors were simply relieved that at least profits did not disappoint this time. And their expectations had already been significantly dampened down in the wake of Whiripool's profits warnings last year. In reality, Electrolux's decision not to increase its dividend reinforces the company's gloomy outlook: demand deteriorated in 1995, and the trend looks set to persist in 1996. Furthermore, margins are under pressure, This is partly a result of its acquisi-tion of AEG from Daimler-Benz, but also reflects the company's inability to pass on higher raw material costs to

Business is particularly had in the US, where turnover at Prigidaire fell worryingly. But European markets are also weak. The company's strategy of focusing more attention on emerging markets makes sense, but will have little short-term impact on earnings, Similarly, greater concentration on the top end of the product range should help preserve margins in the long term, but is pushing up costs. A strong performance at Gränges, its aluminium business, will be hard to

sustain as the cycle turns. Electrolux shares, currently trading at around seven times prospective earnings, do not look particularly expensive. But since it is difficult to see how the company will generate much earnings growth, there is still little reason to buy the stock.

Olympics

Continued from Page 1

"these decisions were taken based on the EBU's experience and expertise and in the interest of Olympic Movement and all viewers in Europe."

The BBC said the Olympic

Games would be safeguarded for all UK television viewers until

well into the 21st century.

The IOC decision partly reduces pressure on public service broadcasters who have been facing increasing competition from subscription television operstors such as BSkyB.

The IOC decision comes as the buying of sports rights is being examined under EU legislation.

Hanson to split into four

Continued from Page 1

average cost of one night in a than Albania's capital, Tirana rutes.

ager said: "The company in meet-ings with its shareholders has been told they are unhappy with its structure." Hanson's shares closed 7p higher at 211%p. One reason for

the modest rise was concern about dividends. Hanson said aggregate dividends would be maintained this year, but was silent on subsequent prospects.

It said it expected each company to pay a dividend "relative

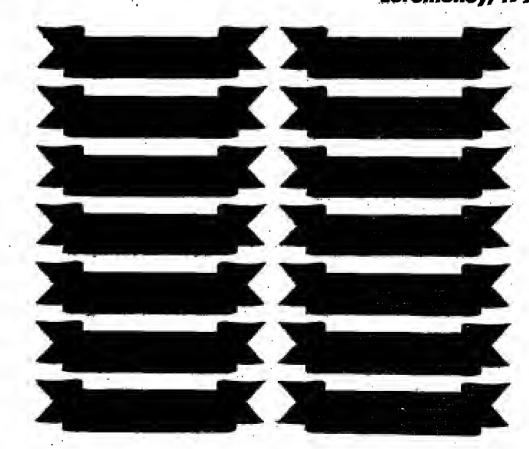
to other companies within its sec tor and to its financial strength and structure". Hanson's bonds fell in US trading last night after Moody's, the credit rating

rarely appeared in print without the word "acquisitive". But it has fared less well since because it could find fewer acquisition opportunities of a material size, UK accounting changes made takeovers less attractive and its

cashflow slowed. Hanson will be advised on the demergers by N.M. Rothschild and Hoars Govett.

SBC Warburg: agency, said it was reviewing its rating for possible downgrade. National Grid shares jumped Ms Rosanne Cahn, a senior 12p to 205%p because Hanson's holding will no longer face a economist at the New York office of CS First Boston, a financial "promises to create a forced sale under the rules of the Grid's flotation. services group, said a quarter point cut in rates would "both Hanson embodied the UK coraddress past softness and serve porate style of the 1980s. Its name as a pre-emptive strike against European powerhouse." further fragility".

Euromoney, 1995



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Europe today

High pressure over southern Scandinavia will continue to produce cold and dry conditions in central and am Europe. Eastern Germany and Poland will be cloudy, but eleewhere it will be sunny as temperatures rise just above freezing. A low pressure system south of Greece will cause rain in

vestern Turkey and Greece. North-east Europe and Russia will have colder air and snow. The Alps will be calm with sunny periods on the slopes.

Five-day forecast

High pressure will move towards the Black Sea, resulting in dry conditions over Greace and Turkey although the north-easterly gale will persist. Rain will spread from the Portugese coast over Spain tomorrow and into France on Friday. Heavy showers may cause fooding in Portugal on Friday. Winds will stacken and cloud will gather in north-western Europe. The risk of precipitation will increase during the weekend.

Lufthansa

Melorce Matte Manchester Manchester Manchester Menoc City Mismi Montreel Monore Munich Nelpob Nespass shower rain fair cloudy tair sun fair fair sun cloudy fair

No global airline has a younger freet



FINANCIAL TIMES **COMPANIES & MARKETS**

Wednesday January 31 1996 OTHE FINANCIAL TIMES LIMITED 1996



IN BRIEF

Apple slides as bid hopes fade

Apple Computer's shares fell sharply as investors' hopes of an imminent takeover bid for the struggling US personal computer company faded. Widely rumoured talks between Apple and Sun Microsystems, the leading computer workstation manufacturer, are believed to have ended without agreement Page 17

PolyGram withdraws offer for Goldwyn Negotiations over the future of debt-laden Samuel Goldwyn, the Los Angeles film company, have run into difficulties, with the reported withdrawal of a partial offer from PolyGram, a subsidiary of Philips of the Netherlands. Page 17

Provisions send Bouygues into the red Bougues revealed big provisions for its industrial holding, telecoms and property businesses, forcing the French conglomerate into losses of about FFrench (\$783m) for 1995. Page 16

Fameli shareholders threaten revolt Owners of at least 10 per cent of the shares in Farnell Electronics of tha UK are planning to vote against a proposed £1.85bn (\$2.84bn) takeover of the US's Premier industrial Corporation unless Farnell and its advisers can dissuade them ahead of an extraordinary general meeting next month. Page 24

Chilean flower may join war on peats A yellow-flowered plant from the Chilean Andes could be about to revolutionise attempts to fight devastating pest damage to crops. Page 25

KPMG

17 Kentucky Fried chick 18 Lloyds Chemists 17 MCI Communications

Companies in this issue Advance Bank Banque Audi Banque Paribas Boshler Uddelto Bombarder Bouygues Cariplo Cariton Comme Celltech DSM Digital Electroliza **EIL Litty** Enron Ericsson Forte

Gates Rubber

General Motors

Gulf Canada

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Générale des Eaux

Marubeni Mattel Memil Lynch Metrobank Nava News Corporation OMV Outokumpu Copper Pan Am Pearson Philip Morris 16 PolyGram 15 Quality Software 15 RJR Nableco Ramsden's (Harry) Reemstma Samuel Goldwyn SelecTV Standard Chartered Telefonica de Espana Telefonica del Peru

Thal Military Bank Thyssen UniChem 24 Westinghouse 8 Wyko 24 Yamaha 16 ZPT Krakow FT-SE Actuaries indices Foreign exchange London share service

Dividends announced, UK SAS CUITANCY FATER **Eurobond prices** thed Interest Indices

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Chief price changes yesterday

504 + 363.1 + 880 + Rigon Ark, E Agie



Electrolux downbeat despite 11% rise

Electrolux of Sweden, the world's biggest maker of bousehold appliances, yesterday painted a gloomy picture of its prospects in the first half of 1996, saying consumer confidence remained fragile in its main North American and European markets. Mr Leif Johansson, chief executive, said the downturn would continue a pattern of lower demand for white goods - a key.

indicator of broader consumer confidence that began in the first quarter of 1995.

His comments came as the group revealed an 11 per cent rise in underlying pre-tax profits to SKr4.0bn (\$580m) for 1995

steadily worsened. In the fourth quarter, when demand for white goods fell in the US and Europe and the company was hit by the stronger krona, pre-tax income fell to SKr1.22bn from SKr1.28bn.

The gloom had been discounted by the market, helping the group's B shares to rally by SKr12.5, or 4.3 per cent, to SKr289. Electrolux said its 1995 performance was hit by higher raw material prices - which could not be fully offset by higher sales prices - and intense competition due to slowing demand. But volumes held up and it reported higher market shares in Europe and North America.

The worst quarter was the fourth, when European white goods demand feli 1 per cent and North American demand dropped 1.9 per cent. The German market, the group's largest European market, fell 2 per cent with most of the continent's other markets also lower. An exception was the UK and Ireland, where demand rose more

than 10 per cent "We would expect the first half of 1996 to be slower than the same 1995 period, with the European market coming down a little more than North America," said Mr Johansson. "The market I am most con-cerned about is Germany. Even though German consumers have received considerable increases in salaries, they are taking a cautious view on how to spend it."

and sales increased from SKr108bn to

SKr116bn. In household appliances - the biggest of the group's four divisions - operating income was steady. However, it was held back by problems in Frigidaire, the group's main US unit, which was hit by higher raw material prices and the costs of product launches.

ironically, the main lift to group operating income came from the group's indus-trial products division, which includes the Gränges aluminium unit it plans to sell.
In the fourth quarter, Electrolux's operating income fell to SKr1.41bn from SKr1.55bn. Tha group proposes an unchanged dividend of SKr12.50 per share.

For the full year, underlying group operating income rose 5 per cent to SKr5.3bn

March By John Griffiths in London

resign in

Fiat chief

likely to

Mr Giorgio Garuzzo, chief operating officer of italy's Fiat industrial group, is understood to have told friends he has no option but to resign when group managing director Mr Cesare Romiti takes over as chairman from Mr Glanni Agnelli lu

March, as currently scheduled. Mr Garuzzo, 57, who as chief operating officer has been Mr Romiti's deputy for nearly five years, was once seen as the obvi-ous successor for the chief executive's role, Instead, Mr Garuzzo has been bypassed, with the job going to Mr Paolo Cantarella, 51, head of Fiat Auto, the group's cars division.

It is known that relations between Mr Romiti and Mr Garuzzo, a 20-year veteran of Fiat, have deteriorated in the past two years as Mr Romiti has been diverted by political scandals and their views on strategy for Italy's largest automotive and

industrial group have diverged. In December, Turin magis-trates asked for Mr Romiti to be sent for trial for alleged links with illegal financing of political parties. The issue is unresolved, with Mr Romiti potentially fac-

ing further questioning. Some Fiat watchers believe Mr Cantarella's appointment has dangers for the group because, in his wider role, he might be unable to continue to oversee closely the regeneration of Fiat's car ranges, which underpin the current improvement in the group's fortunes

Mr Cantarella has won widespread praise for several new nodels since his appointment by

Mr Garuzzo in 1991. A contrary view is that Mr Cantarella plans to retain a close watch over the cars division by appointing as its new managing director a relative outsider, Mr Roberto Testore, head of Fiat's Comau automation subsidiary. Mr Testore's appointment will be confirmed in Fiat's annual letter to shareholders today.

after a year when market conditions Digital to quit home

computer

By Louise Kehoe in San Francisco

market

Digital Equipment, the US computer group, is to stop selling home computers to refocus the retail side of its PC activities on business users. The move comes amid intense price competition and falling profit margins in the

consumer end of the PC market. Digital's PC business has grown rapidly since if launched new products and renewed marketing efforts in 1994. Analysts estimate its global PC sales in its second quarter to December at about \$680m. Sales rose 40 per cent and the unit broke even for Sales of Digital's Starion home computer products, offered only in the US, accounted for less than 10 per cent of its PC sales last quarter, said Mr Bruce Claffo, general manager of the PC unit. The company would phase out

Digital planned to expand the availability of its businessoriented desktop and notebook computers through retail channels to reach home office and

It is the annual

time of reckoning for UK pension Pan Am poised to make a

return

By Richard Tomkins in New York A former US airline executive

will attempt to resurrect one of the world's most famous brand names this year by relaunching Pan Am, the US airline that collapsed in 1991 after years of The new Pan American World

Airways will try to establish a niche for itself in the highly competitive US air travel market by vices between the east and west coasts of the US.

The company aims to start flying from New York to Chicago, Los Angeles and San Francisco this summer with three Airbus A-300 wide-bodied jets. It expects to have eight A-300s in use by the end of its first full year, all of them leased.

Pan Am says its fares will be about half those charged by the big carriers because it will have the lowest operating costs of any airline in the world.



Martin Shugrae: 'best, most well-known name in the history of commercial aviation

all aupport services such as maintenance and catering, so avoiding the cost of owning extensive infrastructure.

tive of the new company is Mr Martin Shugrue, an airline executive who served with the old Pan Am between 1968 and 1988, eventually becoming vice-chairman. His partner is Mr Charles Cobb. a property developer who booght Pan Am's name, logo and trademarks from the liquidators for

\$1.3m in 1993. The two men plan to form the new company by merging it with a Frost Hanna Mergers, a Floridabased company quoted on the

The company will contract out ties Dealers Automated Quotation system (Nasdaq).

They said Frost Hanna had available cash of \$10m and other private investors had committed Frost Hanna's shares shot up

\$2% to \$6% in early trading yesterday, a rise of 53 per cent. Mr Shugrue, who last year atepped back from plans to resurrect the defunct Eastern Air Lines, said he had chosen to press ahead with a Pan Am revival because it was "the best, most well-known name in

He acknowledged that the big carriers would fight back against the new airline with lower fares, but he said Pan Am peeded to garner only a small percentage of the market to produce profitable load factors. In addition, he said, the lower fares would create

Pan Am also expects to earn some of its revenues by forming links with small to medium size international carriers, which at present lack alliances with other US carriers. These international atrlines will carry passengers to and from the US "gateway" airports, where they will transfer to or from Pan Am's domestic the history of commercial avia-

Mr Shugrue said Pan Am would consider international expansion "as we move into the future".

National Association of Securi-

UK pension fund managers feel the Wall Street lash

Barry Riley

said.

They know their clients will be plaased with an average rate of return of close to 20 per cent for 1995. But there is the usual spread of triumph and gloom for individual managers. And should not the average manager have performed even better? After all, despite a pass-able showing in UK equities, just about all the managers have stumbled badly in global equities. The serious underweighting of Wall Street, where the market return in sterling terms was 38.4 per cent (though UK pension fund managers only achieved 34.9 per cent) has been very costly. In fact, British funds were net sellers of US equities all year, and prehiminary returns from Caps, one of the two performance

WM says 3.4 per cent). In propor-tion to Wall Street's capitalisa-tion, a full weighting would have been 10 per cent.

measurement agencies, indicate a year-end exposure of just 3 per cent of total portions (the rival

That startling underexposure cost 5 percentage points of return on overseas equities in 1995, and cut more than 1 per cent off total portfolio returns. So tha index fund marketing man have been presented with the simplest of sales opportunities. In terms of individual manag-

ers, the notable event of 1995 was the fall from grace of PDFM, the second-biggest firm after Mercury Asset Management. At the end of 1994, PDFM, a UBS subsidiary, had been flying high, being the best manager over five years and having beaten the median by more than 4 percentage points over one year.

appears to have underperformed the median by at least as big a margin. It was underweight in equities and overweight in unex-

In 1995, however, PDFM of underperformance in value uppears to have underperformed stocks. Still, PDFM's long-term results remain good. The more opportunistic MAM seems to have found conditions citing index-linked gilts. More-over, its value-oriented style in However, it runs several different citing index-linked gilts. More-

Under-exposure cost 5 percentage points of return on overseas equities

equities went badly adrift as the markets chased growth stocks and takeover speculations. Once in every cycle value is bound to have a bad year as fear an earnings slow-

stocks, but the last nine months

styles and its funds' performances have, as usual, varied quite widely.

Across the industry as a whole returns are said to have varied between 25 and 14 per cent. Some down and shift towards growth say this relatively wide range is a sign that managers are moving of 1995 saw an exceptional degree away from the median-hugging

styles to which most of them have become attached since the 1987 stock market crash. But PDFM has pointed up the risks. as well as the rewards, of being a

equity markets and styles was critical last year, the choice between equity and bond expo-sure, oddly enough, was not. The FT/S&P Actuaries World Index returned 20.5 per cent in sterling but the J. P. Morgan Global Government Bond Index managed 20.1 per cent in the sama currency (19.3 per cent in dollars).

Consultants Frank Russell's universe of global bond managers (usually acting for US clients) appears to have clawed its way back in the second half of 1995 from a poor patch, probably

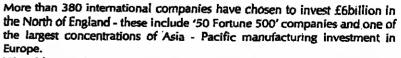
aided by the recovery of the dol-lar against the yen. At any rate, the median manager outperformed the JPM Global Index in the final quarter and achieved a return of 19.5 per cent in dollars

for the year. The traditionally bond-hating UK pension fund managers are also increasingly attracted by global fixed income and, accord ing to Caps, had an extraordinary 9.1 per cent exposure to this asset class by the end of 1995, although this may be a distortion caused by an as yet incomplete (42 per Although the selection of

> It is interesting that both Caps and WM are showing that UK pension funds now have a total exposure to bonds (overseas, UK and index-linked) of about 16 per cent, the highest for 10 years. That is, arguably, an inevitable consequence of the torrent of government bond issues - heading, according to J. P. Morgan, for yet another record in 1996 of more than \$1,500bn gross (\$550bn net) from the 13 OECD countries in the global index.

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DSM 'on target' to meet expectations

DSM, the Dutch chemicals group, said provisional figures for 1995 showed that net profits before extraordinary items were approximately double the Fl 527m (\$317m) reported in 1994. The preliminary figures, if confirmed by definitive figures due to be released on February 29, would meet the company's full-year forecast published in October.

On October 31, DSM reported a doubling of third-quarter results and predicted that 1995 results would show the same rate of increase. The company, which gava no specific figure for 1995 results, has benefited from price increases in a number of product groups, though it warned late last year that it was seeing larger-than-expected price decreases in some plastics.

Ronald van de Krol, Amsterdam

Acquisition helps BCP advance

Banco Comercial Portugues, Portugal'a second largest financial group, yesterday reported a 8.4 per cent increase in net consolidated profit in 1995 to Es20.3hn (\$131m) from Es18.7hn in 1994. The results are not directly comparable because of BCP's Es308bn acquisition of Banco Portuguès do Atlântico last March. Mr Jorge Jardim Gonçalves, BCP chairman, said the bank planned to raise its capital to Es180bn from Es109.7bn this year. It aims to raise Es27bn through a

domestic rights issue and \$250m through a placement of preferential bonds, possibly in New York.

Lisbon analysts said the planned capital increase, following a \$500m preferential bond issue last September, reflected the financial strain involved in acquiring BPA and merging the two banks' operations. "The quality of BCP's earnings has clearly depreciated following the acquisition of BPA," said one Lisbon broker. "It is only in 1997 that the group is likely to begin benefiting from the increased earnings potential of the Peter Wise, Lisbon

Boehler-Uddeholm up sharply

Boehler-Uddeholm, the Austrian speciality steel maker, yesterday reported a fourfold increase in net income from Sch227m in 1994 to an estimated Sch1bn (\$95.7m) last year. Operating profit climbed from Sch500m to about Sch1.2bn. while sales increased 14 per cent to more than Sch18bn. Mr Claus Raidl, chairman, said his company benefited from higher prices and strong demand for high-quality steel

After going public in an initial stock offering last year Boehler-Uddeholm promised to pay an annual dividend of Sch20 a share. The state-controlled group was forced to reduce its IPO in April 1995 because of a weak stock market, but is planning a secondary offering in the first half of this year. The further privatisation is poised to cut the stake of the state holding company OIAG from 72 per cent to less then 50 per cent, but OIAG wants to keep a 25 per cent minority interest. Eric Frey, Vienna

Cariplo foundation chief quits

Mr Roberto Mazzotta has resigned as chairman of the charitable foundation which controls Cartplo, Italy's higgest savings bank, following the four-year prison sentence given him by a Milan court last month. His decision, announced on Monday night, will enable the appointment of a new chairman to carry out the foundation's plan to shed majority control of Cariplo. Mr Mazzotta voluntarily stepped aside from his post when court proceedings started two years ago into bribes involving Cariplo's pension fund. He maintains he is imnocent hut said he recognised the foundation could not proceed with Cariplo's flotation without a chairman. John Simkins, Milon

Paribas shares shrug off loss

Banque Paribas yesterday blamed improper accounting for a hidden loss of about FFr250m (\$48.9m) in the accounts of its Spanish unit in Madrid. The losses related to positions taken on Spanish public debt, and would be taken in the 1995 accounts. Two operators were allegedly responsible for the loss, the bank added. Despite the revelations, Paribas shares, which had opened lower, followed the market to close up FFr4.50 at FFr264.8. Reuter,

Stet seeks capital increase

Stet International, the vehicle for the Italian state holding group's investments in telecom operators, is to ask shareholders next month to approve a capital increase of L1,033bn (\$645m). The company, controlled by Stet and Telecom Italia, has pursued a policy of strong growth overseas which includes an accord this month to take a 16 per cent stake in Entel Chile. John Simkins

Morris in \$227m

By Christopher Bobinski

Polish move

Philip

Poland's privatisation programme took an important step forward yesterday when Philip Morris of the US agreed to pay the country's treasury \$227m for a controlling stake in ZPT Krakow, the country's largest tobacco plant which controls more than one-third of the domestic market.

The ZPT Krakow sale is expected to be followed by a second deal tomorrow, when Reemstma of Germany bnys the Poznan tobacco company, which produces and sells onequarter of the 96bn cigarettes consumed in Poland each year. Reemstma is reported to have agreed to build a new plant in Poznan in a deal which should be worth more than \$200m in investment commitments, including the price paid for the equity in the plant.

The apeed with which the final talks between the treasuiry and Philip Morris have been concluded appears to reflect fears on both sides that cabinet changes - after the appointment of a successor to Mr Jozef Oleksy, who resigned as prime minister last week would further delay sales in

Late last year, Mr Wieslaw minister, signalled that offers then received from Philip Morris and Reemstma were too low and that some time would bave to pass before a deal could be struck.

The disposal of the tobacco sector, which was first proposed in 1991, has been one of the most controversial privatisation issues faced by successive Polisb governments. It was initially resisted by the Polish Peasant Party (PSL), currently the junior partner in the ruling coalition, which sought to transform the sector

into a state monopoly. The PSL now stands a chance of strengthening its hand in the forthcoming cabinet reshuffle which could have led to further obstruction.

Philip Morris has produced its Marlboro brand at Krakow since 1973 under a licensing agreement, and has been seeking to buy the plant since

It has agreed to invest a further \$145m in the plant over three years, making the deal the largest capital transaction by a foreign investor in Poland

The company will inttially have 33 per cent of ZPT Kra-kow's equity and will take control of a further 32 per cent wben the investment pro-

Philip Morris has to date invested 51bn in the former communist world and controls production facilities in the Czech Republic, Kazakhstan, Hungary, Lithuania, Ukraine

This announcement appears as a matter of record only.



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November 1995

Provisions send Bouygues into the red

By Paul Abrahams in Paris

Bouygues yesterday revealed big provisions for its industrial holding, telecoms and property businesses, forcing the French conglomerate into losses of about FFr4bn (\$783m) for 1995. Without the FFr4.4hn of exceptional items, the group would have reported net earnings of about FFr400m, compared with analysts' expecta-tions last autumn of about FFr600m. The company said 1996 earnings would equal those in 1994, at about

Mr Martin Bouygues, chair-man, also announced the group would sell about FFr3bn of non-strategic assets within the next 18 months.

Despite the 1995 loss, the board intended to maintain the dividend at 1994's FFr25 a share. It would be paid from reserves. Bouygnes' shares wera auapended yesterday pending the announcement and did not begin trading before the close.

The property provisions, at FFr2.1bu, are the latest of a series of exceptional items announced by French companies exposed to the sector.

he hoped there would be no further decline, but could he could not guarantea an

The property business would achieve sales of FFr4.1hn this year compared with FFr4.4bn in 1995, and should make a profit in 1996, he added.

from the worsening economic

holds 51 per cent.

Bouygues also made provi-sions of FFri_lbn for its holdings in financial and industrial

groups which had suffered The telecoms provisions of

Mr Bouygues blamed a deterioration in the market during the second half of 1995. He said

FFr1.2bn would cover start-up costs for its paging operations and Bouygues Telecom, the French PCN mobile telephone business in which Bouygues

Until 1989, when they would become profitable, the telecoms businesses would make cumulative losses of about FFr2.6bn, Mr Bouygues said.

Other shareholders in Bouygues Telecom include Cahle & Wireless of the UK; Veba of Germany: US West; BNP, the French bank; and Compagnie Financière de Paribas. Telecoms sales ahould reach FFr150m this year.

COMPANY PROFILE:

DAX Index

140

110

100

Group turnover in 1995 increased 2 per cent to FFr31.3bn, boosted by acquisitions. Excluding the acquisitions, sales were stagnant. Sales at TF1, the quoted television group controlled by Bouy-gues, increased from FFrs.4bn to FFr9.1bn last year, and should reach FFr9.5bn next

Mr Bouygues refused to comment about corruption inquiries which have led to a number of senior company executives, including the chairman, being placed under formal investigation by magis-

Thyssen poised for disposals after setback in all activities

By Michael Lindemann in Düsseldorf

Thyssen, one of Germany's biggest industrial groups, yesterday warned that all three of its divisions had reported firstquarter profits below expectations and signalled it was likely to sell businesses worth about DMIbn (\$673m) in sales terms as part of further

Mr Heinz Kriwet, the chief executive who hands over to Mr Dieter Vogel in March, warned that the business climate in Germany was deteriorating rapidly and that Thyssen was especially susceptible to an economic slowdown because so much of its business, centred mostly on steel, is short-term.

"It would be wrong and irresponsible to talk of a recession," Mr Kriwet said, "but we have taken a step closer to such a risk."

The Düsseldorf-based group

to approve a DM500m increase in its anthorised capital at the annual general meeting in March, bot said it had no plans to spend the money on any acquisitions. The increase was last requested in 1991 and needs to be extended before the five years are up, the company

All three of Thyssen's divi-sions - trading and services, and engineering reported unspecified net profits for the quarter ending December 31, Mr Kriwet said, but new orders for the quarter fell to DM3.04hn, 10 per cent lower than the same period a year Sales in the three months

rose 7 per cent to DM3.07bn. While Mr Kriwet would not specify what businesses might be sold or brought into joint ventures with other compa-nies, he said that further changes were necessary to make the group more resilient to the heavy losses it sustained

steel and to improve shareholder value.

"The structure of the group at the moment is not the way the management board would like to see it," Mr Kriwet

Thyssen Stahl, the steel divi-sion, has already said it is working on further co-operation agreements with other manufacturers, especially for its long products.

Despite a range of sobering predictions about the prospects for business this year, Mr Kriwet said there were "firm expectations" that Thyssen would pay a DM10 dividend for the financial year ending September 30, the same amount as this year.

Thyssen plans to shed 2,464 jobs by the end of this year, bringing its worldwide workforce to 122,822.

However, Mr Dieter Hennig, the personnel director, warned that Thyssen might well he forced to make further personduring the recent downturn in pel cuts if the business climate

Thyssen \$6.07br

Historic P/E

Earnings per share (DVFA)1995 24 DM 285.0 Current share price

Strare price relative to the

1993 : 94 95

deteriorated during the year. Mr Heinz-Gerd Stein, chief financial officer, also implied that the company would continue to move jobs to cheaper production altes Following the fall of the

dollar and the wage round which raised personnel costs by about 10 per cent last year, a Thyssen worker in Germany now costs DM12,100 more than abroad. A year earlier the difference amounted to

Average (000)

OMV profit more than KLM third term lifted doubled to Sch2bn

By Eric Frey In Vienna

OMV, the Austrian oil, gas and chemicals group, yesterday continued an impressive turnround hy announcing pre-tax profit more than doubled from Sch840m in 1994 to a record Sch2bn (\$191m) last year, achieved through drastic cost-cutting and higher

prices for some plastics lines. The group, which was in the red in 1992 and 1993 because of heavy losses from its chemicals unit, said it would lift its 1995 dividend from Sch10 to Sch20 a share. However, earnings growth slowed in the fourth quarter because of charges related to the sale of its Chemie Linz subsidiary.

After the results yesterday, Mr Richard Schenz, OMV chairman, predicted slightly lower earnings, "hut atill a respectable result" for 1996. OMV had come out of the biggest

crisis in its history through a sharp reduction in personnel and capital ootlays, he said. It had cut staff and overtime and also reduced its oil and gas exploration budget. This helped cut losses in the exploration and development sector.

"Without rationalisation, we would have suffered a loss of Sch3.8bn last year," Mr Schenz said. Through further cost-cutting, OMV should be abla to lift the dividend to Sch30 in the medium

Off and gas production is set to rise to 4m metric tonnes from the current 3m as OMV plans to invest Sch6bn in exploration in the next three years. while plastics and chemicals remain the weak spot in its balance sheet. Prices for fertilisers, monomers and poly-olefins were on average up last year, but a drop in polyolefin prices in the fourth quarter dampened earnings growth in that division

Two weeks ago, OMV and Repsol of Spain cancelled a planned joint venture in polyolefins because of unspecified "strategic differences". But OMV said yesterday it was still considering co-operation with Repsol in other lines. Mr Schenz pinpointed neighbouring countries, including the Czech Repub-

lic, Slovakia, Hungary, Slovenia and Italy, as key areas for future expansion. OMV is planning several joint ventures and acquisitions in the natural gas husiness and wants to boost its market share in petrol sales at its own-brand stations. This should help it improve capacity utilisation at its large oll refinery in Schwechat near Vienna. The group is also engaged in several

pipeline projects in Hungary, Slovenia and Italy and is planning to increase its gas storage facilities in Central Europe. In Austria, the groop's aim is to keep petrol stations over the next five years. | the revaluation. KLM does not yet take

It has also found itself

exposed to an intensely com-

petitive eovironment, as banks offer low interest rates in an

effort to gain business. Yet,

unlike most of its rivals, it offers nothing but property

loans, which has magnified its

The most significant factor

problems considerably.

by stake in Northwest

KLM Royal Dutch Airlines' ownership of preferred shares in Northwest, the US sirline, allowed the Dutch carrier to shrug off a 71 per cent decline in operating profit and report a 23 per cent increase in net profits for the third

quarter of 1995-98. Lower taxes and a decline in financial expenses also contributed to the rise in KLM's hottom line in the quarter,

which ended on December 31. The increase in nat profits, from FI 83m (\$49.85m) to FI 102m, was in line with analysts' forecasts, but there was some surprise that the airline's operating profit dropped from Fl 193m to

F156m.
Its shares closed down 6.5 per cent at F150.40, on a generally lower Amsterdam stock exchange.

KLM clearly benefited from Northwest's record profits in 1995, as this enabled it to step up the revaluation of the preference shares it owns in its US partner airline. This development warrants a more

rapid scale-back of provisions previously taken against KLM's investment in Northwest Airlines' preferred shares," KLM said.

Income from Northwest shot up to its market share in petrol sales of 23 per FI 89m from zero a year earlier, of cent, despite closing down a fifth of its which FI 50m represents the effect of

a share of Northwest's net profits on to its own books because the US airline still has negative shareholder equity. KLM, which has a 25 per cent equity

stake in Northwest and voting rights of almost 19 per cent, is embroiled in a law suit with fellow Northwest shareholders over a "poison pill" aimed at limiting the Dutch company's ability to lift its voting stake.

The Dutch carrier yesterday forecast a 10 per cent increase in earnings per share for the full-year. Previously, KLM had said only that 1995-96 net profits would be "slightly" higher than a year

"In spite of the pressure on operating income, wa foresee a significant improvement in net income in the fourth quarter, as a result of higher income from associated companies and lower income taxes," it said.

in the third quarter, revenue rose by 4 per cent to F12.35bn but this was easily outstripped by an 11 per cent increase in expenses to nearly Fl 2.3bn. Salaries and employee benefits rose hy 14 per cent, reflecting in part the resumption of pension contributions by KLM after a premium "holiday" ended

in late December 1994. KLM said it posted 10 per cent traffic growth in the third quarter, which it described as being above the market average. But capacity increased faster.

expanding 15 per cent.

Hoping to have won a stay of execution

Andrew Jack looks at the factors behind the difficulties at Crédit Foncier de France

Crédit Foncier's raison d'être

solution late last autumn,

when they proposed a merger

between the parent company and Société des Immeubles de

France, a 55 per cent-controlled

subsidiary, which would have

The historic façade of the beadquarters of Credit Foncier de France in central Paris conceals wide cracks forming deep inside the institution which threaten its very survival.

In the past 12 months, the group, which specialises in domestic property loans, bas seen its share price fall by more than two-thirds, whi the cost of its borrowing has jumped as credit rating agen-cies have downgraded their

As the crisis reached a peak last week, unions placed a halfpage advertisement in the French newspaper Le Monde pleading their case, and locked directors into their offices late on Friday in an attempt to win greater negotiating powers before an expected restructuring which could lead to heavy job cuts.

With cash reserves depleting fast, the directors managed on Thursday to secure a new line of credit - at competitive interests rates - of up to FFrzbn from the state-backed Caissa des Dépôts et des Consignations, secured against its loan portfolio.

What has brought the insti-

tution to this? Like many other

French husinesses, Credit Fon-

cier has been hit by the prop-

erty market crisis, which has

forced banks, insurers and con-

glomerates alike to announce

buce write-downs.

French government last Sep-tember. Mr Pierre-André Pèrissol, the minister of housing, announced the abolition of the PAP, the Pret de l'Accession Sociale, a subsidised loan programme to encourage those on low incomes to buy their houses and of which Crédit Foncier was one of only two providers. In its place, the government launched a package of zero-

interest loans up to a limited

threshold for new home buy-

ers, which would be available

through any French bank and

own loans at commercial rates.

The directors now appear to accept that the institution is almost certain to be unable to carry on in its current form. At the very least, they are seeking a single large shareholder to provide significant new capital

additional FFr1bn (\$196m). decision taken by the new Yet the stock market authorities blocked the deal at the end of November, arguing that shareholders in the subsidiary should have the right to a cash exit and not simply to shares in the bank - a solution the directors could not afford.

behind the current crisis was a recapitalised it with an

They have also been trying to readjust in other ways. The bank has won tha right to pay a commission to the French Post Office for every client referred to it for the govern-20 per cent of the market so would be topped up with their

ment'a zero-rate loan - which has enabled it to capture some

was removed in the process.

The directors of Crédit Foncier thought they had found a vacant offices into housing.

The diractors are now discussing plans to reduce costs by between 30 per cent and 40 per cent over the next three years, with a similar cut in the payroll - which triggered the current industrial

However, such actions are marginal. The directors now appear to accept that the institution is almost certain to be unable to carry on in its cur-

At the very least, they are seeking a single large share-holder to provide significant new capital. The institution may well even be taken over entirely. "It will either disap-pear or be acquired," says one

ome rating agencies and other analysts now believe the mood bas become too pessimistic, however. First, while no new PAPa will be issued, the existing ones will expire over several years, providing time to find new types of business. Second, the underlying assets of the bank look relatively strong and there are government guarantees beneath them that suggest bondholders are in a atrong

Nevertheless, substantial new provisions against its loan book are expected when Crédit

role advising the government and funding the conversion of 1995 results at the start of 1995 results at the start of

> Meanwhile, attempts at restructuring are proving diffi-cult, partly because of its peculiar legal status. While it is a publicly-quoted company with no direct shareholding by the French state, the government appoints the chairman - called the govarnor - and his two deputies, a legacy of the state's dominant role in its operations since the 1950s, when PAPs were introduced.

The result is an institution which, according to some critics, has a rigid organisational structure and a protected staff with little commercial judgment. "It has the spirit of the civil service." says one outsider who knows it well.

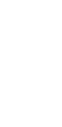
It is also one that has long lacked transparency, and hence generated suspicion on the part of outsiders. It was only last year that the governor held a presentation for analysis for the first time, for

If investors are to take the bank sarlously, they will expect a change in its legal atatutes to ensure that the executives are directly accountable to shareholders rather than to the state.

The current board must hope in the meantime that they have created enough breathing space to find a longer-term







INTERNATIONAL COMPANIES AND FINANCE

RJR Nabisco held back by restructuring charge

By Richard Tomkins in New York

RJR Nabisco, the US tobacco and food group under pressure to spin off its food business, yesterday marked the end of a poor year for profits growth by reporting fourth-quarter net earnings of just \$33m, only slightly shead of the compara-ble period's \$29m.

Tha company said that if restructuring charges and extraordinary items wera excluded, net income would have shown a 1 per cant increase to \$207m, or 60 cents a share. This was in line with analysts' expectations, following the company's earlier warning of a profits shortfall.

For the full year, net income rice from \$388m to \$501m. The company said that after excluding one-time expenses and

General Motors fared better

than, expected in the difficult

automotive markets of Europe

and North America in the last

fired months of 1995, capping a year in which it finally eliminated its large US pension fund deficit and restored its balance sheet to financial health.

The world's biggest automo-tive maker was able to lift its

net income last year by 40 per cent, to \$6.9bn. This is likely to

give GM the biggest profit of

By Richard Waters

extraordinary items in 1994 and 1995; net income rose 6 per

the poor fourth-quarter perforoperations.
Mr Steven Goldstone, who

took over as chief executive in December, said that if one-time charges were set aside, a decline of 4 per cent in operating profits. over the previous three quarters had turned into a gain of 7 per cent in the fourth quarter.

itive outlook for the Nabisco ent to \$857m. food business, which is 80 per One of the main reasons for cent controlled by RJR Nebisco

the company had entered the current year "well positioned for earnings growth", he said.

The company said it had ended 1995 with a slightly year earlier. This was attri-buted to a 10 per cent increase

cial officer, said the company

expected further cost-cutting

and efficiency gains this year to push it towards its target pre-tax profit margin of 5 per

In the final quarter of last

year, pre-tax earnings slipped 14 per cent to \$780m, reflecting

the tough North American car

market and the group's rela-tively low level of higher-

margin light trucks. However, incentives paid per vehicle con-tinued to decline, falling to

\$683 from \$671 in the previous quarter.



Steven Goldstone: sees positive outlook for food business

in sales volume for Camel, the fastest-growing full-price domestic brand in the US last

former Soviet Union posted strong results in the second half and was carrying "signifi-cant momentum" into the cur-

Apple share price slides as takeover hopes fade

By Louise Kahoe In San Francisco

Apple Computer's shares fell sharply yesterday as investors' hopes of an imminent takeover bld for the struggling personal

computer company faded.
Widely-rumoured talks between Apple and Sun Micro-systems, the leading computer workstation manufacturer, are believed to have ended without agreement. Sun is said to have proposed a stock-swap offer for Apple worth about \$23 a share.

Yesterday, Apple's shares were trading at \$27% in mid-session, down almost 6 per cent from Monday's close of \$29%. Sun's share price rose to \$45% from \$44%.

As Apple's share price contimed to decline, there was industry speculation that other bidders for the company

would soon emerge.

Among the names mentioned was Mr Larry Ellison, the billionaire chairman of Oracle, the database software group. Mr Ellison has acknowledged that be attempted to put together a plan to acquire Apple last year. He is believed to have been interested in spinning off the company'e hardware manufacturing operations while model compounded Vauxhall's nfacturing operations while retaining its software develop-

IBM offered Apple \$40 a share last year, according to former IBM and Apple executives, who said the computer industry leader might renew its interest at a lower price. Motorola, Hewlett-Packard and Sony of Japan are also mentioned as possible buyers.

Apple's problems bave prompted Standard & Poor's to lower its rating on \$300m of the company's debt to junk bond status. Citing Apple's recent losses and manage turnoil, the rating agency said it would review the rating if Apple were acquired by a

stronger entity". Apple also attempted yesterday to dispel reports that it had placed a halt on new R&D spending, "There is no freeze. We are reviewing our business model and rationalising our product portfolio. In these cirrumstances new spending must be reviewed," it said.

NEWS DIGEST

Barrick steps up global campaign

Barrick Gold, the biggest gold producer outside South Africa. has capped its 10th consecutive year of output and earnings growth with plans for a new mine on Chile's El India gold belt. The Toronto-based company signalled plans to become more aggressive in challenging South Africa's mining houses in the international gold industry.

Mr Peter Munk, chairman and controlling shareholder, said yesterday that Barrick aimed to become as dominant globally

yesterday that harrica amou to become as commant growing as it was in North America.

Net earnings rose to U\$\$292.3m, or 82 cents a share, last year from \$250.5m, or 80 cents, in 1994. Revenues climbed to \$1.280n from \$356m. Average operating costs grow to \$183 an ounce from \$167. Gold output totalled 3.14m oz, up from 2.33m oz. Almost two-thirds of production came from the flagship Goldstrike property in Nevada.

Barrick's recent success is partly attributed to an active hedging strategy, allowing it to obtain gold prices well above the prevailing market. Last year'e sales were concluded at an average price of \$406 an ounce, compared with the market average of \$384. But the recent spurt in bullion has led the company to reduce hedged positions from three years' output to less than two years' output. Bernard Simon, Montrea.

Twist to Mattel, Hasbro battle

US toy-maker Mattel's highly-public pursuit of rival Hasbro took a new turn yesterday, when regional legal euthorities started investigating the antitrust implications of the proposes \$5.2bn share offer. As Mattel published a further appeal for a negotiated settlement. Hasbro advisers distributed copies of requests for detailed information sent to both companies by Mr Richard Blumenthal, ettorney-general for Connecticut.

Although there has not yet been an official bid, and federal cartel officials have no formal case to investigate, the move marks the first apparent success in Hashro'e attempts to arouse the competition authorities' interest in Mattel's unwelcome approach. "I have followed with great interest, and I must say great concern, the possibility that Mattel and Hasbro might be combined," Mr Blumenthal wrote. "The merger of the country's two largest toy manufacturers raises serious antitrust questions."

Estimates of the impact on market share caused by a possible merger of the world's two largest toy makers have been made difficult by the inclusion of electronic and other innovative products in the overall market for toys. However, there is no dispute that a combined group would be the biggest operator in the \$17bn US market, as well as in the

Buropean Union and Canada.

The release of Mr Blumenthal's letters coincided with a renewed public appeal from Mr John Amerinan, Mattel chairman and chief executive, for Hasbro to restart talks and "finalise the transaction so that your shareholders can receive a premium of over \$2.2bn". Christopher Purkes, Los Angeles

Start date for 24-hour Fox News Mr Rupert Murdoch, chairman and chief executive of News Corporation, the international media group, said yesterday he aimed to launch the Fox 24-hour all-news network by the end

of this year. He was announcing the appointment of Mr Roger Ailes, former head of CNBC, NBC's business news channel, to The new network, first announced in late November, is

aimed to compete with Cable News Network, Mr Ted Turner's news channel. Rival networks ABC and NBC, in partnership with Microsoft, have also announced plans for 24-bour news

Mr Murdoch said yesterday that the Fox network would include interactivity, allowing viewers to call up stories on-line to find more details. He said that the more than 50m s year cost of running Fox News at the moment would rise by about \$50m a year. He expected "significant revenues" from

Mr Murdoch said that edding to Sky News in Europe and Star TV in Asia, and developments in South America, News Corp's television news channels would soon cover more than two-thirds of the world. Observer, Page 13

Maggie Urry, New York

MCI raises earnings 17%. MCI, the US long-distance telephone company, raised earnings by 17 per cent to \$284m in the fourth quarter on sales 22 per cent ahead. MCI said it aimed at double-digit increases in sales and earnings in 1996 and 1987. For the first time, the company split results from its long-distance phone network from its other ventures, including Concert, its joint venture with BT. Long-distance earnings were up 37 per cent for the quarter at \$34m, and by 86 per cent to \$1.2bn for the year.

Among other ventures, MCI classed last year's \$100 investment in News Corp and \$1.1bn purchase of SHL Systemhouse. Revenue for the year was \$365m, up from \$68m, while there was a net loss of \$125m and a cash outflow of \$45m. Concert had revenue of \$228m in the year and \$76m in the final quarter. Tony Jackson, New York

Eli Lilly ahead in first term

An unexpectedly low tax charge lifted Eli Lilly's net income by 18 per cent during the final three months of last year, as sales grew 16 per cent to \$1.8bn. The US drugs company, which reported earnings of \$343m, or 63 cents a share (57 cents before profits from discontinued operations), said it believed the lower tax rate was sustainable "near-term". The rate for the year was 26 per cent, against an expected 29 per cent, because of higher earnings in low-tax countries and the

effectiveness of tax-planning.
At the pre-tax level, profits fell 4 per cent to \$364m on continuing operations, reflecting the acquisition of PCS, the pharmacy benefit manager, as well as a surcharge imposed by the French government and expected litigation costs. Sales of Prozac, the anti-depressant, rose 24 per cent to over \$2bn during the year, while sales of Ceclor slipped 11 per cent to \$772m as the drug's US patent expired. Full-year net income rose 78 per cent to \$2.29bn, including discontinued operations, or a rise of 10 per cent to \$1.3bn without them. 1995 earnings reached \$4.03 a share, or \$2.30 excluding the discontinued Richard Waters, New York

Bonus issue from Advance Bank

Advance Bank, the Australian regional bank, has lifted its dividend and declared a bonus issue after a strong earnings performance in the six months to November. The bank, which last year bought the Bank of South Australia (now BankSA) from the state government, yesterday announced a 38.5 per cent rise in net profit lift from A\$57.8m a year ago to A\$80.1m (US\$59.27m). The interim dividend is being raised from 33 cents to 85 cents a share and directors have declared a one-for-one bonus issue. They said the result included five months of trading from BankSA.

The result followed an increase in the charge for bad and

doubtful debts from A\$2.3m to A\$7.7m and a tax provision of A\$46.7m, up from A\$31.4m. Total assets jumped 72.4 per cent from A\$11.8bn to A\$20.3bn.

Banque Audi advances

Lebanon's Banque Audi, which became the first Arab bank to issue Global Depository Receipts last November, posted L#20.1bn (\$12m) net profits in 1995, up nearly 60 per cent over 1994, the bank reported yesterday. Net return on assets rose to 1.08 per cent in 1995, against 0.93 per cent in 1994, but return on equity dropped from 30.8 per cent in 1994 to 27.8 per cent

The bank said financial income jumped more than 43 per cent. Customer deposits increased to \$1.17hn at the end of 1995, compared with \$918m the previous year.

Banque Audi is the fourth largest bank in Lebanon in terms of assets and one of the most conservative. The GDRs sold for \$12.60 a piece in the November \$34m issue. They are now Roule Khalef, London trading at \$12.75.

mance was an \$87m pre-tax charge for the restructuring and relocation of RJR Nabisco's international tobacco short-term market disruptions,

"That is the result of a marked rebound in sales, volume and profit at the international and domestic tobacco businesses, which we expect to carry us into 1996 with signifi-

any US company for 1995, top-ping even General Electric's

\$6.6bn. It comes just four years

after the group was brought to the edge of financial collapse

by its chronic lack of competi-

tiveness in North America.
The recuperation of GM's
North American operations

was the biggest factor behind last year's earnings rebound. Pre-tax income more than dou-

bled, to \$3.8hn, as GM cut costs

against the background of e 5

per cent rise in sales, to \$103bn.

Mr Michael Losh, chief finan-

and which reported separately a day earlier.
After investing in new products and enduring some

Excluding ona-time expenses, RJR Nabisco's tobacco operations increased fourth-quarter operating profits 3 per cent to \$505m. The international contribution rose 5 per cent to \$207m, and the domestic contribution, 1 per cent to \$298m.

higher share of the domestic cigarette market than a



In international markets, the rent year.

Opel Vectra in Europe and higher material and labour

expenses in Latin America. In

the final quarter, pre-tax income fell to \$110m, from

• Vauxhall Motors, General

Motors' UK subsidiary, yester-day blamed fierce competition in a stagnaut UK market for a

sharp fall in pre-tax profits to

\$561m a year before.

GM back to strength with 40% rise for year

£3m (\$4.62m) last year, com-pared with £79m in 1994, writes John Griffiths in London. Outside the US, meanwhile, GM's pre-tax profits fell by 28 per cent to \$1.6bn for the year Sterling's weakness against the D-Mark, industrial action as it faced unfavourable foreign exchange movements, the costs of launching the new in the final quarter, and costs associated with the new Vectra

> problems, said Mr Charles Golden, chairman and managmg director. Vauxhall's total wholesala sales of cars and light commer-cial vehicles fell 1.5 per cent to 420,727. Its UK registrations, at

294,131, were 5.3 per cent below

Standard Chartered sells troubled broking arm

By Louise Lucas in Hong Kong and Ted Bardscke in Bangkok

urd term iii

: in Sorthwa

Standard Chartered, the London-based international bank, is to sell its lossmaking and Asian-dominated stock-broking arm, Standard Chartered Securities, to a leading That finance company, Nava Finance & Securities, and its parent, Thai Military Bank.

The price was not disclosed, but Standard Chartered said yesterday in Hong Kong it was based on "a modest discount" to the net asset value of the stockbroking activities.

:: London: brokers estimate the opera ding, complaining that Standard Char run-ins with the regulators, tion had trading losses of around flom tered was offering different terms to ... Its initial public offering business ran : London brokers estimate the opera-

(\$6.6m) last year, and said the price would probably be less than £5m. This, however, was substantially more favourable for Standard Chartered than incurring the costs of closing the busi-

At the same time, Fleet Financial, the fast-growing. US regional bank, announced it had reached an agreement for Standard Chartered to provide trade finance services to its customers in the

Standard Chartered and Nava have

different suitors. Other bidders included Prudential Bache of the US and Nithipat Capital, another Thai

finance company. Nava will acquire "substantially all" of the stockbroking activities carried out by Standard Chartered Securities, which employs around 250 and is strongest in Hong Kong and China.

The operation has had a chequered history, last reporting a profit in 1993. It has since closed down its private client business (although wealthy individuals been negotiating for nearly a year. At were understood to have remained cli-one point, Nava pulled out of the bid- ents), cut staff and had a number of were understood to have remained cli-

aground in June 1994 when the Securities and Putures Commission, the regulatory body in Hong Kong, unearthed trading offences. Standard Chartered Securities was banned from involvement in IPOs until the following April, by which time the markets knew of the decision to sell up.

Nava is Thailand'e 10th largest finance company in terms of assets and its fourth largest in terms of brokerage market share. It recently renewed an agreement with UK-based brokerage house W.J. Carr to provide securities trading in Thailand. Nava stressed this relationship would not be affected by the Standard Chartered purchase.

PolyGram withdraws offer for

By Christopher Parket in Los Angeles

Goldwyn

Negotiations over the future of debt-laden Samuel Goldwyn. the Los Angeles film company, have run into difficulties, with the reported withdrawal of a partial offer from PolyGram, a subsidiary of Philips of the Netherlands.

While the move appeared to media group as the only potential saviour for the siling rem-nant of Hollywood's glory days, observers suggested Poly-Gram might be attempting to force the Goldwyn management to come to a decision. The Dutch-owned group originally offered \$62m for the Goldwyn film and television programming library. This left

the future of the film-making and distribution interests unclear, although a buyer was expected to be found relatively easily for its Landmark chain of movie theatres.

However, the PolyGram offer was promptly beaten by a pro-posal from Metromedia, part of the private empire of billionaire Mr Paul Kluge, to buy tha entire company for a consider-ation of \$115m, including the assumption of Goldwyn'e \$73m

debts.
Goldwyn, controlled by the son of the late mogul of the same name, is known for making quality, limited market films which match the tastes of visitors to its Landmark "art house" cinemas.

However, hits have been hard to come by recently, in spite of the success of The Madness of King George. A new release. Angels & Insects, had a fair start, although last year's Perez Family was swiftly switched into the video rental market after flopping.
The bid from PolyGram.

which is making determinad efforts to expand its library of broadcasting and cinema material, was aimed at long-time favourite programmes in the Goldwyn files, which include the *Fipper* series from television, and American Gladiators. Films include cult movies such as Sex, Lies and Videotape.
The Dutch-owned bidder had

also negotiated licensing rights to 75 classic films from the estate of the late Mr Goldwyn.

Branch expansion helps lift Metrobank profits by 39%

By Edward Luce in Marsia

Metropolitan Bank and Trust (Metrobank), the Philippines largest commercial bank, reported a 39 per cent rise m net profits, to 3.5hn pesos (\$133.7m) in 1995, on the back . of rapid branch expansion

growth. The bank which is 55 per cent owned by Mr George Ty, a. leading Chinese-Filtpino businessman, said it also overtook the Philippine National Bank as the country's largest finance. house in terms of total assets. Total assets jumped from 110bn pesos in 1994 to 178bn pesos, the company said. "Metrobank'e very impres-

sive results last year were the fruits of a rapid branch expansion plan, and the overall cli-mate of fast deposit and loan growth in the Philippines," said Mr Matthew Sutherland. chief analyst at Asia Equity Securities in Manila.

"The bank has also benefited

from his very close ties to the Chinese Filipino business community! which owns some of the fastest growing businesses in the country," he added.

Spurred on by the Philippine ecunomic recovery, which belped total banking loans deposits grow by about 30 per cent. Metrobank extended its branch network to more than 300 outlets from around 270 in 1995, and saw deposits grow 25 per cent to 108bn pesos. Net loans, which include under-

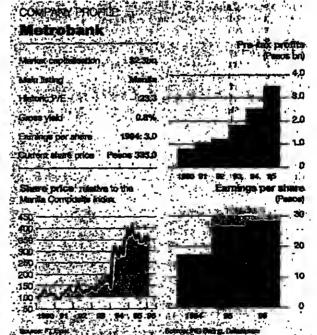
writing accounts, surged 56 per cent to 93.8bn pesos. Analysts, who point out that Metrobank controls a leading share of the country's rapidly growing export import finance

sector - owing to its close ties. with Taiwan and other Chinese trading partners - say the bank's consumer financing subsidiaries have also gained impressive stakes in the housing mortgage and car loan sector. Car sales grew 29 per cent in 1995, while the country's top-end property market saw real estate prices double in 12

With a 35 per cent stake in Toyota (Philippines), which had the highest share of the country's car sales market last year, Metrobank is considered well placed to exploit the continued surge in consumer financing. However, analysts see Metro's net profits growth slowing to about 25 per cent in

"Metro will continue to register good growth, but profit rises of 40 per cent will not be

Automotive side selects global gear



Sutherland. Metro's shares, which have

an annual avent," said Mr

risen in line with the market'e

Tenneco posts strong advance

After-tax earnings at Tenneco rose to \$183m on sales of \$2.4bn in the final quarter of last year, as the diversified US industrial conglomerate con-tinued to chift into highermargin businesses and shed cyclical operations, writes Richard Waters in New York. A year before, it reported earnings of \$32m on sales of \$2.8hm, after a \$177m loss from

discontinued operations.

The automotive division generated more than half its sales outside the US for the first time, setting the lead in the group's plans for international expansion, said Mr Dana Mead, chief executive. Tenneco's automotive parts unit reported fourth-quarter sales of \$616m, up 32 per cent

from a year before.

For the year, the company reported net income of \$785m on sales of \$8.9bn, against \$408m on sales of \$12.2bm in 1994. Before losses on discontinued businesses and other one-off factors, it carned \$641m in 1994. Earnings per share were \$1.05 in the latest quarter and \$4.16 in 1995 as a whole, against 16 cents and \$2.20 in the same periods in 1994 (or \$1.14 and \$3.49 on continuing operations.)

1. ..

Takeovers and joint ventures are seen as potential routes for growth anneco Automotive, the \$2.5en tornover motor components aubsidiary

of the US natural gas, packaging and automotive multi-national, is accelerating a worldwide acquisition pro-gramme in the belief that, within a decade, each motor components sector will be doninated by one or two fully giobal groups.

A number of deals are ready

to be finalised, and there are no financial constraints on further acquisitions," said Mr Dick Snell, president and chief executive, in Brussels recently at the start of a world tour to discuss vehicle manufacturers' globalisation programmes and launch automotive aftermarket initiatives.

While Mr Snell would not identify current takeover targets, Tenneco Automotive specialises in exhaust systems - it claims 25 per cent of the world market through its Walker Manufacturing subsidiary and shock absorber and ride control systems, in which it maintains a similar share of the world markat through Monroe Auto Equipment. Tennaco Automotiva accounts for alightly more than

20 per cent of the group's \$12bn

turnover, but is regarded as the division with probably the highest potential for growth. In the past year or so Mr Snell and senior executives are known to have been investigating possible takeover targets or joint ventures around the world. In the past few months the division has set up a joint venture with a local partner in Beijing to form Beijing Monroe Shock Absorber, supplying locally-produced Chrysler Jeep Cherokees and a domestically-designed sport utility vehicle. The venture has been chosen to supply Dong Feng Citroën in Wuhan, which is to produce the French carmaker's ZX model, and has also set up an exhaust venture in China, with India next on the list.

In the Czech Republic, it acquired the Ateso shock absorber manufacturer near Prague, as a launch pad into eastern Europe. And in a move which has given Tenneco the lion's share of Europe's exhaust systems market, it now controls German exhaust systems maker Heinrich Gillet and Spanish exhaust and emissions controls group Foncs. The acquisitions have more than doubled the size of Walker's European business.

"Now is the tima to start making aure we'll still ba there," said Mr Snell of his prediction that there will be a further severe shake-out in the global automotiva sector. Vehicle manufacturers are becoming outspoken in their demands to shift engineering and development work to their suppliers, and as they go global they will want just one supplier for each components system. But that supplier will have to possess a substantial engineering base with the ability to manufacture locally around the globe." lready, it is clear that

A Tenneco regards its rivals to be mainly North American multinationals - notably Arvin Industries - rather than European or even Japanese groups, . We see no signs of European players developing into global players of the size and resources we envisage as being needed, and Japanese component makers appear to be too strongly tied to Japanese vehicle makers to become truly global challengers," Mr Snell

Partial support for Mr Snell'e view of the future was provided recently at the UK motor industry's centenary celebrations, when Mr George Simp-son, president of the UK'e Society of Motor Manufacturers and Traders, predicted that the number of carmakers in Europe would also be slashed by 2010, and that by then the world industry would indeed need only 15-20 direct, but com-pletely global, component sup-Not surprisingly, however,

as chief executiva of Lucas Industries, Mr Simpson expects the UK components group to be among the global suppliers. Lucas itself is dedicating twothirds of future investment to building up a global capability. While projecting only modest growth for Tenneco Automo-

tive in Europe and North America, "there are now hundreds of millions of people acquiring discretionary income for the first time in Asia and other developing countries; and the first thing they want is a car, even before roads and hridges," said Mr Snell.
"Even that should be good for our replacement shock absorber business," he added -

John Griffiths

only half jokingly.

Centrifugal forces that pulled Hanson apart

As another conglomerate splits, David Wighton analyses this four-way solution

o identify one of the driving forces behind Hanson's proposed four-way demerger requires only a quick look at its

share price chart. It is the picture of a company which has lost its way or one which investors, at least, believe is heading down a cul-de-sac.

After a dramatic rise in the early 1980s, the shares did little for the rest of the decade. In the 1990s they started to decline, first steadily,

then precipitously.

Hanson had hoped that the acquisition of Eastern Group, the elec-tricity company acquired for £2.5bn in September, would reverse the trend. But it did nothing to calm investors' concerns about Hanson's increased vulnerability to economic cycles following the Quantum chemicals acquisition in 1993.

Institutions had started to convey to the board concerns about the direction of the group.

Yet Mr Derek Bonham, Hanson's chief executive and deputy chair-man, insists that the decision is the natural next step in reshaping the group. That process has seen a company, built up through a series of

unrelated acquisitions in the 1980s, reorganised into the four main business groupings which it now pro-

This has required a programme of disposals, most notably last year's demerger of an assorted group of small US businesses as a standalone company, US Industries. Still to come are the proposed sale of Cavenham Forest industries and partial flotation of Suburban Propane, which Hanson believes will raise

Mr Bonham argues that this will leave Hanson with four coherent businesses in energy, tobacco. chemicals and building materials. all with "greater management and

growth opportunities". Hanson is the latest large international company to announce a to declare that the conglomerate is

But Mr Bonham denies that Hanson's move supports this view. Lord Hanson and I continue to argue that there is a place for conglomerates in this world." He believes merely that the move makes sense for Hanson at this stage, given its size and the nature

Size is important because, as it has grown, Hanson has found it increasingly difficult to find finan-cially driven acquisitions large enough to make a difference; and changes in accounting regulations have made Hanson-styla acquisi-tions less apparently attractive.

During the 1980s It bought a number of natural resources companies which had poor cash flow, that meant it could only fund large acquisitions by making disposals. This prompted the strategy adopted by Mr Bonham after ba became chief executive in 1992. He tried to focus tha group and increase the emphasis on growth through internal investment rather than acquisi-

To encourage managers to concentrate on long-term development, Mr Bonham has introduced incentive schemes linked to the growth

of individual businesses. He fiself could be the subject of a bid effective once the group is divided. As yesterday's modest rise in the share price indicated; the demerger is not expected to add much to shareholder value in the short-term. In the cases of ICI and Racal, part of the rationale for demergers was that the stock market was undervaluing the group's constituent parts

so making them vulnerable to take-

But most analysts believe there is little, if any, "hidden" value in Hanson, Mr Gavin Launder, at SBC Warhurg, calculates that Hanson's constituent parts would be valued at about 194p excluding the effects of the demerger. That compares with yesterday's close of 2111/p. One benefit of the demerger would be that the constituents would be more vulnerable to take-

premium to reflect that, in particular, Imperial Tobacco would be seen as an attractive target. Recent rumours that Hanson

over and the shares might inclode a

were never taken very seriously by the City, not least for tax reasons. Quite apart from the sheer size, a predator acquiring Hanson to break it up would face huge capital gains tax bills if it sold off Imperial or the US chemicals businesses. The comnlexity of Hanson's tax arrangements also acted as a deterrent.

But analysts believe any such. short-term benefits from demerger will be outweighed by the costs. All four companies will engage merchant banks - with NM Rothschild acting for the continuing Hanson - and the legal complexities are bound to generate substantial professional fees.

There will also be some capital gains tax involved in the reorganisation. While Hanson stresses that it has not received clearance from the UK and US tax authorities, it adds: "Preliminary Indication is that one-off corporate taxes and costs associated with the proposed demergers would be containable."

But there will also be an increase

1984: Buys Landon

1995: Tekeiover bid for

Brick and US Indus

in on-going costs. The three new companies will have to set up thair own bead offices and their cost of debt will inevitably increase. Debt rating agencies yesterday put Hanson on credit watch. In addition, Hanson's famously

low tax charge will rise. This is largely because the group will have to unwind the offshore bank accounts where it has generated tax-free interest, facilities which the demerged companies will not be able to replicate.

Despite these costs most observers and institutional shareholders welcomed the move. "We always thought Lord Hanson would want to go out with a bang and this is the right thing to do for shareholders," said one large investor.

Some analysts also applauded the hint that aggregate dividends might fall after the demerger. "The level of dividends had become unsustainable, yet it was hard to see Lord Hanson being able to stomach a

cut." said one.

of Hanson's ticklish management issues. Many institutions have been unhappy about the way family connections still play a part at Hanson. where Mr Christopher Collins, married to Lord Hanson's niece, is deputy chairman, and Lord Hanson's son Robert is corporate development director. "This may be seen as less of a problem at rump Hanson,"

said one observer. Meanwhile, Mr Bonham, who has been operating under Lord Hanson's shadow, would get to head the separate energy and tobacco businesses with Mr Bill Landuyt, head of Hanson's US businesses, taking

over chemicals.
This job would presumably have fallen to Mr David Clarke, Lord White's protegé in the US, if he had not left to run US industries. But Lord White, who died in August, would have approved of the demergers according to Mr Andrew Arends, a former acquisitions manager at Hanson. "Lord White would have thought it an elegant solution to let the markat decide how much the parts are worth. The interesting question is which of the four h would have gone with.

M TOBACCO - By RODERICK ORAM

An Imperially lavish cash cornucopia

Nothing in Hanson makes Imperial is worth roughly money like Imperial Tobacco, which has the second largest share of the UK cigarette market and is arguably the best deal Lord Hanson ever made.

It generated £349m in operating profits last year, one-fifth of the group total, on some £780m of sales net of excise duties and only £54m of capital. Even by the standards of the tobacco industry, its 45 per cent operating margin and 650 per cent return on capital

employed is lavish. But for all that, it ranks below 20th in the world with only minor sales abroad. Thus it is likely to be taken over by another cigarette company seeking greater UK exposure.

Lord Hanson paid £2.5bn for Imperial in 1986, then a rambling and ill-managed conglomerate. He promptly sold £2.400 of assets such as Courage, the brewer, Golden Wonder crisps, Ross Young's frozen foods, HP sauces and Happy Eater res-

The remaining tobacco business, based in Bristol, was transformed into the lowest cost manufacturer in Europe by Mr Ron Fulford who will remain its chief executive. From 1987 to 1995, productivity rose 130 per cent and profits 12-fold on sales up a mere 5 per

Given Imperial's prodigious cash flow and steady earnings, Hanson will probably shift to Imperial a disproportionately heavy £1bn of group debt. Debt-free, analysts estimate



Tobacco

M CHEMICALS - By JENNY LUESBY

Derek Bonham Turnover: £3.57bn* Operating profit: £348m To be listed in London

£2.5bn, but its market value will be net of the debt it car-

Critical to investors, though, will be Imperial's ability to pay dividends, because tobacco stocks are bought for income Philip Morris, maker of Mariboro, trades on a dividend yield premium of about 60 per cent to Dow Jones Industrial Average stocks; BAT Industries, of the UK, is about a 35 per cent premium to the FT-SE

100 index. The outlook for Imperial as an independent company is mixed. On the one hand it is likely this year to overtake Gallaher, owned by American Brands, as the the UK market leader. With brands such as Regal, Embassy and Superkings it has about 42 per cent of

steadily declining market. But fast growing overseas markets, particularly in the emerging economies of eastern Europe and east Asia, are the industry's salvation from liti-gation and falling consumption in developed markets. Imperial derives only 15 per cent of its sales abroad and does not have brands strong enough to exploit overseas potential. BAT makes 20 times as many cigarettes as it does.

As a stand alone company, however, it is likely to attract a predator or a partner with a company weak in the UK but stronger elsewhere.

BAT, which has no UK sales for historic reasons, would seem to be the most likely candidate. But it is believed to be far more interested in Gallaher, if American Brands were ever to sell it. A merger of the two would allow BAT to reunite ownership of brands such as Benson & Hedges and Silk Cut which are geographically split between the two companies. More likely candidates are Reemtsma of Germany, with its strong position in eastern Europe, or even Japan Tobacco. Imperial has strong ties with both Certainly, independence may be short-lived for Imperial.

as animal by-products, sack hire and 1964: Buys Welbecson, importer of US greatings cards, owned by James Hanson and Gordon Whita

1968: Buys brickmaker Butterley

1969: James Hanson elected chairman; company

ater Corp withdraws takeover bid after opolles referral. White moves to US and sale up



1980: Buys McDonough

1983: Buys United Drapery Stores

1981: Sells concrete and cement business. Takeove

1982: Buys Berec and United Gas Industries. Str mes Hanson made life pee



ils Ever Ready UK. Powell Duffryn falls . Fails to win Ranks Hovis McDougall, Dareic Bo 1986: Buys SCM and Imperial Group named CEO of Henson; David Clarke appointed president of Hanson Industries 1987: Buys Kidde, Hanson Trust renamed Hanson 1993: Buys Quantum Chemical and Costain's 1989: Buys Consolidated Goldfields. Salts 52% of Austratian mining Interests SCM's typewriter business in controversial US 1994; Buys Scholes 1990: Buys Peabody Holdings. Takes 2.8% stake in 1995: Buys Eastern Group, Demerges Hanson Industries, Lord White dies goed 72 . Imperial Chemical Industries , 1996: Announces demerger of Hanson into four 1991: Buys Caverment Forest Industries and Beazer. Sir Gordon White made life peer: · companies Share price relative to the FT-SE-A All-Share Index

Core interests to carry on the company name

£2.8m in 1968, was one of the first takeovers by Mr James Hanson, who will give his name to the building materials

The "new" Hanson, chaired by the group's co-founder until his retirement next year, will remain a powerful force in building materials. Analysts said it was likely to be a FT-SE 100 company, with estimates of its value ranging from £1.5bn to £2.5bn, depending bow much debt is put into it. It will also house other members of the deal-making Hanson clan. Mr Christopber Collins, married to Lord Hanson's niece, will be deputy chairman and likely to succeed

gest brick maker, new Hanson will be one of the world's largest quarry operators, supply-ing construction industries in

the UK and the US. Businesses in the group gen-erated operating profits of £286m on turnover of £2.31bn in the 12 months to September 30. The chief executive will be Mr Andrew Dougal, Hanson's finance director.

Subsidiaries include Grove, one of the world's largest crane manufacturers, and Hanson Electrical, supplying accessories from plugs to switchgear. Another constituent is Hanson's 12.5 per cent stake in the National Grid, valued at more than £400m. to the chairmanshtp. Lord Hanson's son Robert, 35, will which is expected to be sold.

Analysts also believa that Grove and the electrical busi-

As well being the UK's bigness may be sold, leaving the rock, sand and gravel - is
test brick maker, new Hanson new company to concentrate underpinned by the difficulty, new company to concentrate on quarry and bricks.

The biggest profits earner last year was ARC, the UK quarry operator which came with Hanson's £3.3bn takeover of Consolidated Goldfields in 1989. Despite a difficult construction market last year, ARC increased operating profits from £69m to £84m on flat turnover of £563m. Cornerstone, the California-based quarry operator, produced unchanged profits of £50m on increased turnover of £930m. It brings with it a large part of Hanson's £1.4bn of environ-

mental liabilities. Quarries have been regarded as the classic Hanson investment. They have low overheads, generate lots of cash. and the value of the assets -

ond largest producer of aggre-gates behind Tarmac, according to SBC Warburg. Tarmac will have a 24.5 per cent share when it completes an asset swap with Wimpey. ARC will also be second to Tarmac in coated stone for road construction, with a 16 per cent share. Warburg's construction analyst, says: "There could be fur-ther rationalisation in this sector if ARC decides to close the

in the UK at least, of winning planning permission for mineral extraction. ARC, with an 18 per cent market share, will be the sec-

Mr Mark Stockdale, SBC gap on Tarmac by purchasing some smaller players, particu-

from disposals behind it."

includes ACR, Hanson Brick, and 12.5% of National Grid Group Lord Hanson

Turnover: \$2.3bg* Operating profit: \$286m* Will retain Hanson's current listing

In London and New York

1995 pro forme Mnch will depend on the level of debt with which the new company is laden. Take-

over candidates for ARC could include quarry operators Bar-

Hanson followed its purchase of Butterley by buying London Brick for £245m in 1984. It has about 30 per cent of the UK brick market, ahead of Redland and Ibstock. Hanson's brick division last year increased its profits from £23m to £38m, despite the difficult housing market.

It is now turning its attention to continental Europe, with the planned acquisition of Desimpel Kortemark, one of the largest brick producers in the Benelux countries, in a deal worth about £195m including debt.

Hanson Properties, which plans a £500m new town at a disused brick works near Peterborough, will also be joining the building materials

M ENERGY - By DAVID BLACKWELL

Cycle turns on bumpy path of price rises and overcapacity

It is likely to be many years polyethylene product are now before the Hanson chemicals business sees a year as good as 1995. Built around two companies, Quantum and SCM, it is a medium-sized force in two highly volatile sectors.

A rough estimate of its value, without any debt, is 13bn-plus. This coold be inflated by the prospect of a bid, although some potential predators would run into antitrust barriers.

The centrepiece is Quantum, which specialises in plastics. In 1993. Hanson bought Quantum for \$2.3bn (£1.5bn) at the bottom of the cycle, and quickly benefited from a surge in prices - the price for one typical polyethylene product rose

from 29 to 52 cents a pound. Hanson estimated that each one cent movement boosted Quantum's profitability by \$40m a year, taking last year's operating margins above 30 per

However, a reversal followed, and prices for the same by a further 22 per cent.

38 cents a pound. Analysts predict a stabilisation at this level, The group's other large chemicals business, SCM, with sales of £531m last year, is also in a cyclical sector, producing titanium dioxide which is used as a white pigment in almost every type of coating. Titanium dioxide bas been

beset by overcapacity, with shortages in the late 1980s prompting a spate of new plant that subsequently Booded the market, pushing prices down from \$2,400 a tonne in 1990 to

Steady demand growth began to take up the slack last year, pushing up prices and allowing producers to operate at more than 85 per cent of capacity. This almost immediately prompted expansion plans, with SCM among the most aggressive. Between 1991 and 1996 it increased its titanium dioxide capacity 29 per cent. By 2000 it plans to expand



includes SCM Chemicals, Turnover: \$2.02bn* Operating profit: £591m To be listed in New York

before Sep 30 "1995 pro forma

The take-up of this new product will depend on the paper industry and paint manufacturers, two of the largest buyers of titanium dioxide, both of which are under pressure. "Clearly there are problems ahead." said one analyst yesterday, anticipating renewed overcapacity as early as next

However, Mr Derek Bonham, Hanson's chief executive, said the company was confident it

would not run into overcapscity problems, thanks to gains in market share. SCM would soon be the sec-

ond largest titanium dioxide producer in the US, be said, moving up from third position. The other two big players are Du Pont and ICI's Tioxide subsidiary.

The third, and by far the smallest, element of the new chemicals company will be Glidco, a successful niche manufacturer of predominantly turpentine-based fragrances and flavours. The grouping also includes a speciality chemicals business, which feeds other chemical producers with vinyl acetate monomer, acetic acid and ethyl alcohol.

The outlook for the combined chemicals business is for steady growth over the next two years, after a dip in profits to about £443m this year, according to Mr Chris Alexander, analyst with Lehman Brothers. He forecasts profits of 2509m for 1997.

five months in the family fold Eastern Group, which became part of Hanson only last Sep-tember, will be the largest part

of an energy group with com-bined sales of £3.5bn. Hanson is planning to put it with Peabody, the world's largest private sector coal miner and a leading US distributor of propane gas. Combined operat-

ing profits were about £460m While its debt level has yet to be determined, the energy group would not benefit from the sale of Eastern's stake in National Grid, which Hanson has attached to the building

materials group. Analysts said the group would be similar in size to PowerGen, one of the UK's two big electricity generators, which is valued at £3.8bn and has no debt

Eastern was the largest UK regional electricity company (rec) when Hanson took it over in a £2.8bn deal, including £300m debt. It makes most of its profits from electricity dis-



Peebody Turnover: 23.5bn Operating profit: \$460m

New York before end 1996

tribution in the south-east of

England. However, the bulk of its sales are derived from the lowmargin supply sida of the industry. Eastern has a 360MW gas-fired power station in Peterborough and is building another for £165m in Norfolk. Eastern bas been more heavily involved in power generation than any other rec. At about the time of the takeover.

pling its share of generation capacity in England and Wales

Eastern heads out after a mere

to about 8 per cent. Since the takeover, it has continued to be a front-runner to buy three more coal-fired power stations, for more than £1bn, from National Power. If it were to complete the deal and the Monopolies and Mergers Commission is looking into

> UK capacity would rise to about 14 per cent. Eastern has also built itself into the fourth largest supplier of gas in the UK. It plans to take advantage of further deregulation due in both the

vertical integration in the elec-

electricity and gas supply industries. Hanson's accounts show that St Louis-based Peabody had a difficult time last year. While profits rose from £149m to 2215m, the undarlying trend was down after excluding acquisitions and the effect of a it bought two coal-fired power strike in 1994. Peabody will

stations from PowerGen, tri- bring with it the bulk of Hanson's £2.3bn healthcare liabilities which relate to black lung

However, ahead of the Eastern takeover, Peabody had already expressed interest in power generation projects in Asia, with the aim of securing long-term coal supply contracts. Eastern was seen as adding expertise in electricity generation, supply and distribution.

tricity industry - its share of Eastern had looked at international opportunities before the takeover, but realised that meaningful investments could be risky for a company its size. But Mr John Devaney, its ambitious chief executive, said yesterday that "as time goes by, we will look outside and take advantage of the work

already done by Peabody". Mr Devaney, who would be joint chief executive with Mr Irl F Engelhardt of Peabody, said the group would be a significant force in the world

fter a meri

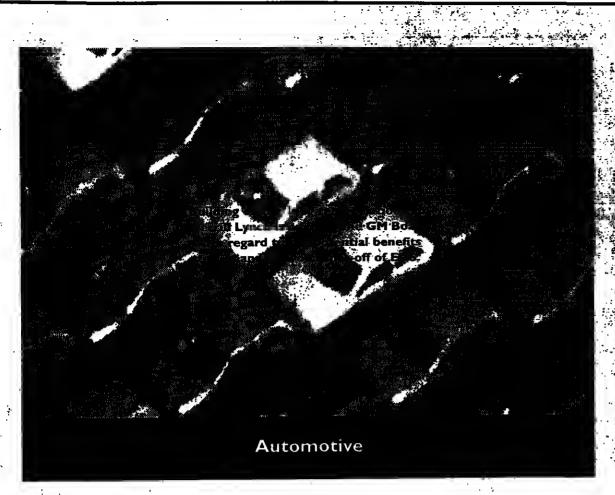


Across borders.

Across industries.



One firm's advice, capabilities and commitment to its clients made a world of difference.



AB Volvo acquired the 50% it did not already own of VME Group N,V. from Clark Equipment Company \$573,000,000

Arvin Industries, Inc.'s majority owned subsidiary Space Industries International, Inc. was acquired by a management group \$42,600,000

Chrysler Financial Corporation Retail Auth Loan Securitization \$1,249,987,527

Dana Corporation acquired the 43% it did not already own of Hayes-Dana, Inc. \$82,700,000

Detroit Diesel Corporation acquired VM Motori SpA from Montagu Private Equity Limited \$125,000,000

Ford Motor Company TOPrS' Exchange Offer \$631,838,300

Deal of the Year

General Motors Corporation ideration of potential split-off of Electronic Data Systems Corporation \$25,000,000,000

General Motors Corporation Tender Offer for various series of Fixed Rate Preference Stock \$1,290,224,000

General Motors Corporation contributed 173 million shares of GM Class E Common Stock (Electronic Data Systems Corporation) to the GM U.S. Hourly-Rate Employees Pension Plan \$6,900,000,000

Key Mannfacturing Group Limited Partnership was acquired by JPE, Inc. Value not disclosed Larizza Industries, Inc. was acquired by Collins & Aikman Corporation

\$174,000,000 Snap-on Incorporated acquired an additional 60% stake in **EDGE Diagnostic Systems** Value not disclosed

Snap-on Incorporated acquired Consolidared Devices, Inc. Value not disclosed

Snap-on Incorporated 2cquired Herramientas Eurotools, 5.A. Value not disclosed Toyota Motor Credit

Corporation Eurobond \$750,000,000 Volvo Group Finance Europe BV Samurai Bond ¥15,000,000,000

World Omni Financial Corp. (a subsidiary of JM Family Enterprises, Inc.) Retail Auto Lease Securitization \$675,416,081



Ampheuol Corporation Common Stock \$93,000,000

AVX Corporation Common Stock \$557,000,000

CARDO AB Common Stock SKR502,773,000

Case Credit Corporation Equipment Contracts Securitization \$650,000,000

Caterpillar Financial Services Corporation Equipment Contracts Securitization \$459,119,445 Caterpillar Inc.

has agreed to acquire an equity stake in F.G. Wilson (Engineering) Limited Emerson Electric Co. Value not disclosed

Coats Vivella Plc through its subsidiary Dynacast International Lrd. acquired

BACE Manufacturing \$102,000,000 **Danaher Corporation**

acquired Joslyn Corporation \$245,000,000 Elsag Bailey Process Automation N.V. (a company of the Finneccanica Group)

acquired Hartmann & Braun from Mannesmann AG \$718,000,000 Elsag Bailey Process Automation N.V.

Common Stock: \$60,000,000 ESSTAR Incorporated was acquired by Atlas Copço AB \$570,000,000

> After advising State: Mutual La surance Company of America of conversion to Allmerica Figancia Corporation; Merriti Cynca atso

Financial Institutions

ead managed the new con

1482

Evcon Holdings Inc. was acquired by York International Corporation

\$133,000,000 Fluor Corporation has agreed to acquire a 54.5% stake in Groundwater Technology, Inc. Value not disclosed.

General Signal Corporation has agreed to sell its Leeds & Northrup Division to various buyers Value not disclosed

Giddings & Lewis, Inc. acquired Fadal Engineering Co., Inc. \$180,000,000

Ingersoil-Rand Company acquired Clark Equipment Company \$1,500,000,000 Insituform Technologies, Inc. acquired

Instruform Mid-America, Inc. \$189,000,000

IRO AB Common Stock SKR730,000,000

Kernet Corporation Common Stock \$146,000,000

The Lincoln Electric Company Common Stock \$129,000,000

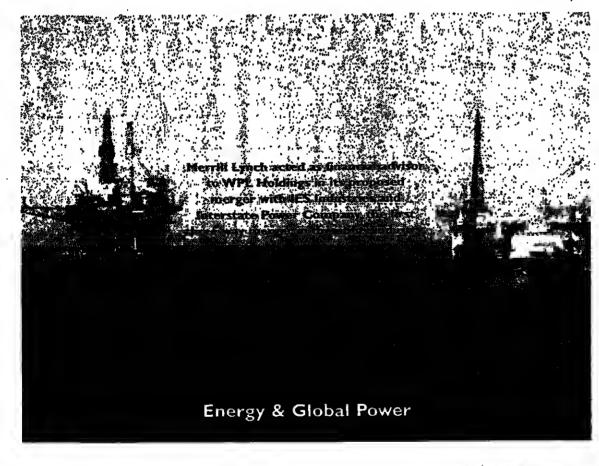
Tyco international Ltd. Common Stock \$432,000,000

United Technologies Corporation through its subsidiary Oris Elevator Company acquired Boral Building Technologies from

Value not disclosed Waters Corporation Common Stock

\$166,000,000

Boral Ltd.



Apache Corporation \$204,000,000

Arethusa (Off-Shore) has agreed to be acquired by Diamond Otfshore Drilling, Inc. \$666,000,000

Atlanta Gas Light Company Common Stock \$50,000,000

Atlantic Richfield Company acquired a minority stake in Russian state-owned Lukoil through the acquisition of convertible bonds \$250,000,000

BJ Services Company acquired The Western Company of North America \$519,000,000 Citizens Utilities

Соправу Class B Shares \$254,000,000 Consolidated Natural Gas Company \$150,000,000

Cross Timbers Oil Company Common Stock \$61,000,000

DEKALB Energy Company merged with Apache Corporation \$285,000,000

Delmarva Power & Light Company acquired Conowingo Power Company from PECO Energy Company

\$150,000,000 DLB Oil & Gas, Inc. Common Stock \$30,000,000

Eron Corp. Notes \$100,000,000

First Reserve Gas Company was acquired by Crystal Oil Company \$78,000,000

Hydro-Quebec Debentures \$300,000,000

MCN Corporation \$103,000,000 Magyar Olaj-es Gazipari Rt. Global Depositary Shares \$165,000,000

NorAm Energy Corp. Notes \$200,000,000 Panhandle Eastern Corporation Dehentures \$200,000,000

Petro-Canada Common Stock \$1,350,000,000 Santa Fe International Corporation sold certain oil and gas assets

Deal of the Year Tennessee Valley Authority \$1,000,000,000

to various buyers

\$436,000,000

Texas Meridian Resources Corporation \$40,000,000

Tidewater Inc. has agreed to acquire Hombeck Offshore Services, Inc. \$271,000,000

Breakthrough Deal Transco Energy Compa merged with The Williams Companies, Inc \$3,000,000,000

United Meridian

Corporation

Senior Subordinated Notes \$150,000,000 Weatherford national Incorporated merged with Enterra Corporanon

WPL Holdings, lac. has agreed to a three-way merger with IES Industries Inc. and Interstare Power Company \$3,800,000,000

\$690,000,000

Abbey National plc STG200,000,000 angeable Capital Securities STG100,000,000 Preference Shares Allmerica Financial Corporation Common Stock

> \$266,000,000 Argentaria Capital Funding Ltd. Preference Shares DM200,000,000 Banco Comercial Português, S.A. in parmership with

> > Bancu Português do Atlântico \$2,085,200,000 Banco Nacional de Mexico Electronic Transfer Master Trust 9,35% Certificates \$206,500,000

Companhia de Seguros Império

acquired

Bank of Boston Corporation has agreed to acquire BayBanks, Inc. \$2,100,000,000

Bank South Corporation was acquired by NationsBank Corporation \$1,600,000,000

Preferred Stock \$125,000,000

Corporación Andina de Fomento Yankee Bond \$2.50,000,000 First USA, Inc. \$401,000,000

has agreed to acquire NatWest Bank N.A. \$3,300,000,000 Fleet Financial Group conversion of 50% ownership in Pleet Banking Group to Fleet common stock

\$961,000,000

KFW International

Finance Inc.

Pleet Financial Group

Yankee Bond \$250,000,000 Kohlberg Kravis Roberts & Co. has agreed to acquire

Talegen Holdings, Inc., including The Resolution Group, Inc. from a division of Xerox Corporation \$2,700,000,000

Liberty Mutual Insurance Company 8.20% Surplus Notes \$250,000,000

MBNA Corporation 7.50% Cumulative Preferred Stock \$150,000,000

Breakthrough Deal Merrill Lynch & Co., Inc. 6.50% STRYPES** Payable with shares of common stock of MGIC \$258,000,000

Deal of the Year Merrill Lynch & Co., Inc. Smith New Court PLC \$842,000,000

Samurai Bond ¥40,000,000,000 Midlantic Corporation

Merrill Lynch & Co., Inc.

was acquired by PNC Bank Corp. \$3,100,000,000 National City Corporation has agreed to acquire lutegra Financial Corporation \$2,100,000,000

> RenaissanceRe Holdings Ltd. Common Stock \$61,000,000

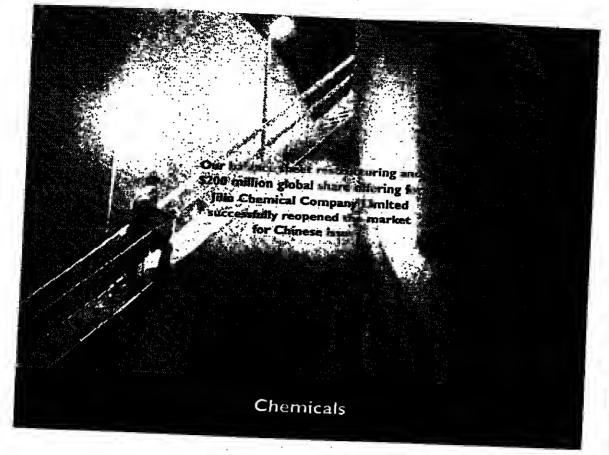
SouthTrust Corporation Common Stock \$94,000,000

Breakthrough Deal SunAmerica Inc. TOPrS¹⁴ Exchange Offer \$248,000,000

Swiss Bank Corporation Subordinated Notes and Debentures \$1,000,000,000

UJB Financial Corporation has agreed to acquire The Summit Bancorporation \$1,200,000,000

United Companies Financial Corporation 6.75% PRIDESW Convertible Preferred Stock \$86,000,000



Applied Extrusion Technologies, Inc. Common Stock \$52,000,000

Cabot Corporation sold the business of Cabot Safety Corporation to a company formed by Vestar Equity Partners, L.P. management and Cabot Corporation \$205,000,000

CBI Industries, Inc. defense with respect to an unsolicited offer for its Liquid Carbonic sobsidiary from Airgas, Inc. \$1,450,000,000

CBI Industries, Inc. has agreed to be acquired by Praxair, Inc. \$2,400,000,000

Ferro Corporation acquired the Synthetic Products Company from

Cookson Group PLC \$92,000,000 FMC Corporation acquired Moorco International, Inc.

\$320,000,000 W.R. Grace & Co. pending spin-off of its National Medical Care, Inc. subsidiary \$3,500,000,000

Deal of the Year

Jilin Chemical Industrial Company Limited Global coordinator for initial public offering \$200,000,000

MacDermid Incorporated acquired the Electronics and Printing Division of Hercules incorporated \$130,000,000

Monsanto Company acquired the Kelco Division of Merck & Co., Inc. \$1,075,000,000 Pratt & Lambert United Inc.

was acquired by

The Sherwin-Williams Company

\$482,000,000

The Alberto-Culver Company has agreed to acquire

St. Ives Laboratories, Inc.

\$120,000,000 Auto-Shade, Inc. was acquired by a company formed by Code, Hennessy & Simmons IL, L.P. Value not disclosed

Cadbury Schweppes Preference Shares \$400,000,000 De Rigo

American Depositary Shares \$142,000,000

Consumer Products/Food & Beverage The Dial Corp acquired Giltspur, Inc. a wholly owned subsidiary of Unigate PLC Value not disclosed

Duracell International Inc. Common Stock \$686.000,000 Golden Cat Corporation

Ralston Purina Compan Value not disclosed Industri Kapital 1989 Ltd and AB Fortos sold Partena AB to Financière Sodexho S.A.

and Sodexho S.A.

\$235,000,000

was acquired by

Macluan Capital (Nevada) Inc. was acquired by an affiliate of Madison Dearborn Partners Capital, L.P. \$192,500,000

Mavesa S.A. acquired Yukery Venezolana de Alumentos C.A. Value not disclosed

Nabisco, Inc. Commercial Paper Oakley, Inc. Common Stock \$265,000,000

Paragon Trade Brands, Inc. has agreed to acquire the Disposable Diaper Business of Pope & Talbot, Inc. \$65,000,000

Deal of the Year RJR Nahisco, Inc. TOPrS'" Exchange Offer \$9.50,000,000

RJR Nabisco, Inc. Consent/Exchange Solicitation

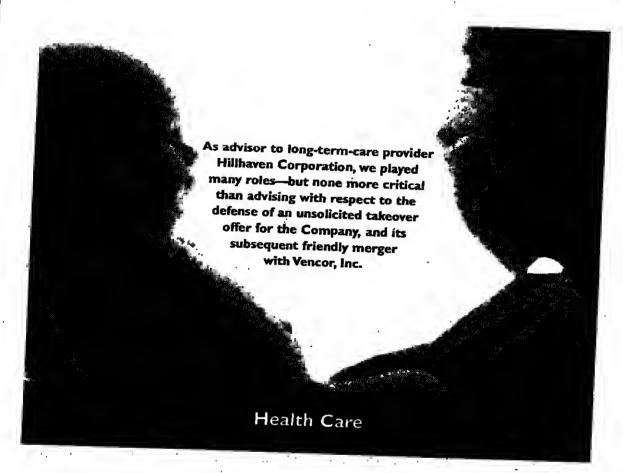
\$5,400,000,000 Sysco Corporation

Notes

\$150,000,000 Tyson Foods

Medium Term Nutes \$150,000,000 Zenith Electronics

Corporation sold a majority stake in the company to LG Electronics Inc. \$351,000,000



Access Health, Inc. Common Stock \$102,000,000

Allergan, Inc. established a newly formed npany to fund its venture with Ligand Pharmaceuticals \$100,000,000

Boston Scientific Corporation acquired SCIMED Life Systems, Inc. \$1,007,000,000

CareerStaff Unlimited, Inc. was acquired by Sun Healthcare Group, Inc. \$119,000,000

Continental Medical Systems, Inc. was acquired by Horizon Healthcare Corporation \$775,000,000

Dura Pharmacenticals, Inc. Common Stock \$57,000,000

Genesis Health Ventures, Inc. Senior Subordinated \$120,000,000

Health Care Property Investors Common Stock \$50,000,000

HealthTrust, Inc.-The Hospital Company merged with Columbia/HCA Healthcare Corporation \$5,260,000,000

Hillhaven Corporation was acquired by Vencor, Inc. \$1,978,000,000

Hillhaven Corporation acquired Nationwide Care Inc. \$175,000,000

OrNda HealthCorp \$203,000,000

Pyxis Corporation acquired Allied Pharmacy Management Inc. \$48,000,000

Roche Holdings, Inc. sold Syva Company to a subsidiary of Hoechst AG Value not disclosed Roche Holdings, Inc. LYONSIN

Schering-Plough Corporation sold its Wesley-Jessen contact lens business to Bain Capital, Inc. \$47,500,000

\$2,150,000,000

SmithKline Beecham Capital Inc. Notes \$FR100,000,000

Synaptic Pharmaceutical Corporation Common Stock

\$28,000,000 Tenet Healthcare Corporation sold its International Hospital Division to various buyers

\$427,300,000 United Wisconsin Services, Inc. Common Stock \$51,000,000

WellPoint Health Networks Inc. pending recapitalization through a cash dividend followed by a reverse stock split \$1,225,000,000

WellPoint Health Networks Inc. has agreed to acquire the Group Life and Health unit of Massachusserts Murual Life Insurance Company \$380,000,000

Fulfilling the financial needs of corporations, governments and institutions is a growing challenge.

For corporations worldwide it was a year of consolidation and reorganization. For governments and institutions, the global search for capital intensified. In-depth knowledge of global industries, economies and markets were critical to the success of any endeavor.

One firm delivered this knowledge to clients throughout the world.

The difference is Merrill Lynch.



A tradition of trust.



California Housing Finance Agency Home Mortgage Revenue Bonds \$159,965,000

County of Los Angeles
Taxable Pensinn Obligation Bonds
\$600,000,000

Dade County, Florida Water and Sewer System Revenue Bonds \$346,820,000

Dallas-Fort Worth International Airport Facility Improvement Corporation/American Airlines, Inc. Revenue Bonds \$126,240,000 Dormitory Anthority of the State of New York State University Educational Facilities Revenue Bonds \$291,420,000

Florida Housing Finance Agency Humeowner Mortgage Revenue Bonds \$94,650,000

Massachusetts Health and Educational Facilities Authority Newton-Wellesley Hospital \$85,395,000

New York State Urban Development Corporation Correctional Capital Facilities Revenue Bonds \$282,170,000

Deal of the Year

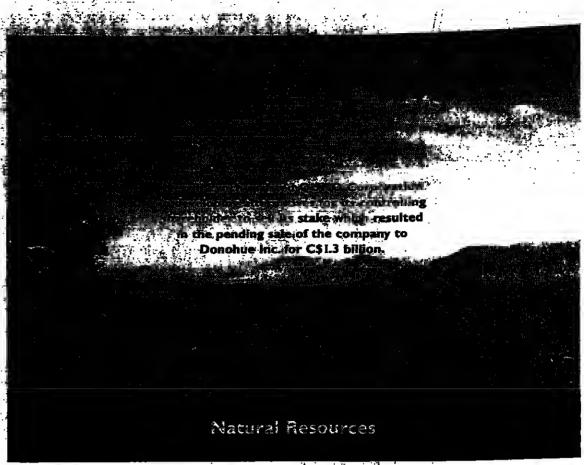
San Bernardino County, California Certificates of Participation \$363,265,000 The School District of Philadelphia, Pennsylvania Various Purpose General Obligation Bonds \$217,455,000

State of Connecticut Special Tax Obligation and Refunding Bonds \$335,630,000

State of Hawaii General Obligacion Bonds \$268,000,000

State of Washington General Obligation Bonds \$268,900,000

Turnpike Authority of Kentucky Economic Development Road Revenue and Refunding Bonds \$237,890,000



AMAX Gold Bank Loan Syndication Senior Term Loan

\$250,000,000

Bowater Incorporated
Security Tenders
Notes \$325,000,000
Preferred Stock
\$82,000,000

Backeye Cellulose Corporation Common Stock \$152,000,000 Senior Subordinated Notes \$150,000,000 Senior Notes Tender

Common wealth Aluminum
Corporation
Common Stock
\$126,000,000

\$65,000,000

CSS Industries, Inc. acquired Cleo Inc. from Gibson Greetings, Inc. \$128,500,000 Deal of the Year

Dubai Aluminum

Company Limited

Aluminum-linked Loan

\$250,000,000

James River Corporation
of Virginia
spin-off of
Crown Vantage Inc.

\$825,000,000

JCI Limited
demerged from
Johannesburg Consolidated
Investment Company, Limited
as a publicly-traded company
\$1,100,000,000

Jefferson Smurfit Group plc Yankee Notes and Debentures \$600,000,000

Mail-Well, Inc. Common Stock \$70,000,000 Mail-Well, Inc. acquired Supremex Inc. \$61,000,000

QUNO Corporation
has agreed to be acquired by
Donohue Inc.
C\$1,300,000,000
QUNO Corporation

Senior Notes

\$150,000,000 Sahaviriya Steel Industry Public Company Limited Convertible Bonds \$110,000,000

Usinor Sacilor
acquired the 41.1% it
did not already nwn of
Ugine s.a.

Usinor Sacilor Ordinary Shares \$153,000,000 Voest-Alpine Stahl AG

Ordinary Shares

ATS3,191,000,000

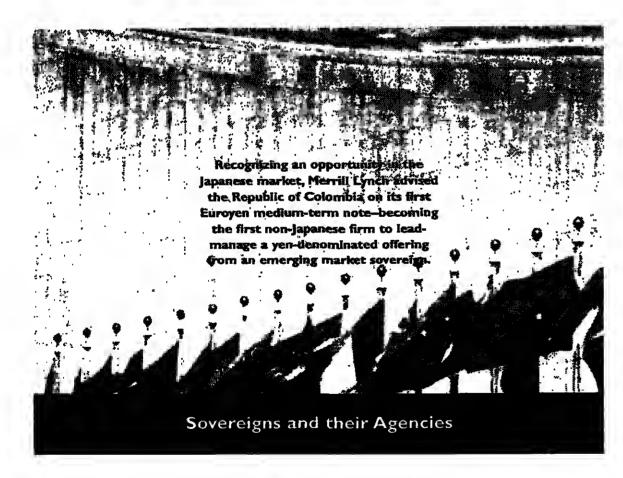
\$760,000,000

Veritas Capital Inc. through Bar Technologies Inc. has agreed to acquire Bliss & Laughlin Industries Inc. \$52,000,000

Western Waste Industries has agreed to merge with USA Waste Services, Inc. \$536,500,000

Westmoreland Coal
Company
sold its remaining
Hampton Division assets to
Burco Resources Corp.,
Wind River Resources
Corporation and Penn Virginia
Coal Company
Value not disclosed

Westvaco Corporation sold its domestic Container Division to Weyerhaeuser Company Value not disclosed



Asian Finance & Investment Corporation (AFIC) Euro Medium Term Notes \$300,000,000

The British Railways Board has sold

B R Telecommunications Ltd. to Racal Electronics Plc (advised H M Government of the United Kingdom) \$393,000,000

Federal National Mortgage Association (Fannie Mae) 10 year callable Global Bond \$1,000,000,000

Deal of the Year

Canada 5 year Global Bond joint lead managed with Deutsche Bank \$1,500,000,000

Canada 10 year Ginbai Bond joint lead managed with Deutsche Bank \$1,500,000,000

والمنطورة فالمستفال فيستنفي والمحاري والمنطق فالمتحاجب

Industrial Finance Corporation of Thailand (IFCT) Euro Medium Term Notes \$500,000,000

Japan Finance Corporation for Municipal Enterprises Yankee Bond \$300,000,000

> Japan Highway Eurodollar \$500,000,000

Petróleos del Perú S.A. Pending Privatization Value not disclosed

The Republic of Colombia Euroyen Bond ¥15,000,000,000 Republic of Portugal

Global Bond

FF 6,000,000

Some and the second second



AT&T Universal Card Services Corp. Credit Card Securitization \$2,338,125,000

Australis Media Limited Discount Notes with Warrants \$175,000,000

Compania Anonima Nacional Telefono de Venezuela (CANTV) Debr Restructuring \$950,000,000 Daily Mail & General Trust plc Eurobonds

STG100,000,000

Dow Jones & Company in partnership with ITT Corporation agreed to acquire WNYC-TV from The City of New York \$207,000,000

DST Systems, Inc.
Common Stock
\$531,000,000
General Motors
Corporation
secondary sale by GM
U.S. Hourly-Rare
Employees Pension Plan of
Class E Common Stock

(Electronic Data Systems

Corporation) \$1,803,000,000 The Telegraph plc to Hollinger International Inc. \$550,000,000
Hynndai Electronics Industries Co., Ltd. sequired the 63% it did not already own of Maxtor Corporation \$395,000,000

Hollinger Inc.

corporate reorganizatio

63.3% interest in

uding the transfer of its

Corporation
Common Stock
\$279,000,000
International Business
Machines Corporation
Tender offer for
Preferred Shares

Infinity Broadcasting

\$852,000,000
International Maritime
Satellite Organization
(Inmarsat)
Formed ICO Global
Communications with an
initial equity capitalization
\$1,400,000,000

K-III Communications Corporation Common Stock \$173,000,000 Korea Mobile
Telecommunications Corp.
Global Depositary Shares
\$150,000,000

NEXTEL Communications, Inc. sold up to a 23.1% equity stake to Craig O. McCaw and his Family \$1,100,000,000

PT Telkomunikasi Indonesia (Persero) Global coordinator for initial public offering \$1,680,000,000

Portugal Telecom, S.A. Common Stock ESC18,480,000,000

Deal of the Year

The E.W. Scripps Company has agreed to sell its cable business to Comcast Corporation \$1,575,000,000

SHL Systemhouse Inc.
was acquired by
MCI Communications Corporation
\$1,223,000,000
Sprint Telecommunications

Sprint Telecommunications
Venture
acquired personal
ommunications services licenses in
29 markets
\$2,100,000,000

TCI Communications, Inc. \$750,000,000 Debentures \$350,000,000 Notes Tele-Communications International, Inc. Class A Shares \$320,000,000

Deal of the Year Telefónica de España, S.A. Global coordinator for public offering \$1,336,000,000

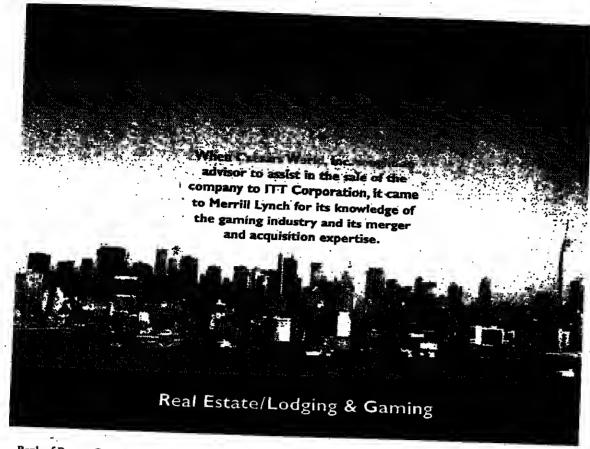
Telstra Corporation Limited Commercial Paper

Time Warner Capital I TOPrS^{NA} \$575,000,000

Breakthrough Deal Deal of the Year

Turner Broadcasting
System, Inc.
has agreed to merge with
Time Warner Inc.
\$10,900,000,000

United States Cellular Corporation LYONs^{ru} \$745,000,000 US West Financial I TOPr5^{ru} \$600,000,000



Bank of Boston Corporation sold a portfolio of performing and \$186,000,000 Beacon Properties Corporation \$154,000,000 Bedford Property Investors, Inc. Convertible Preferred Stock \$50,000,000 Bristol Hotel Company Common Stock \$100,000,000 Caesars World, Inc. was acquired by ITT Corporation \$1,785,000,000 Carr Realty Corporation has agreed to sell a 39% stake to Security Capital U.S. Realty \$250,000,000 Chateau Properties, Inc. Senior Notes \$75,000,000 Colony Investors II, L.P. Private Equity Fund \$625,000,000 Crescent Real Estate Equities, Inc. Common Stock

\$146,000,000

Duke Realty Investments, Inc. Notes \$150,000,000 mon Stock \$102,000,000 Equity Residential Properties Trust umulative Redeemable Preferred Shares \$275,000,000 Notes \$125,000,000 Excel Realty Trust, Inc. \$40,000,000 Franchise Finance Corporation of America Senior Notes \$200,000,000 HFS Incorporated acquired Century 21 Real Estate Corporation from Metropolitan Life \$200,000,000 Shurgard Storage Centers Highwoods Properties, Inc.

acquired
Forsyth Properties Inc. \$168,000,000 Common Stock \$235,000,000 Irvine Apartment Communities Common Stock \$89,000,000

JP Realty, Inc. \$56,000,000 Kimco Realty Corporation Common Stock \$74,000,000 Cumularive Redeemable Preferred Shares \$50,000,000 New Plan Realty Trust \$100,000,000 Common Stock \$86,000,000 Post Properties, Inc. Common Stock \$118,000,000 Realty Income Corporation Common Stock \$50,000,000 Reckson Associates Realty Corp. Common Stock

Common Stock \$113,000,000 Simon Property Group Common Stock \$151,000,000 Starwood Lodging Trust acquired a 70% stake in Hotel Investors Trust \$300,000,000 Paired Shares \$271,000,000

\$171,000,000

Storage Trust Realty \$58,000,000 The Price REIT, Inc. Senior Notes \$100,000,000 TriNet Corporate Realty Trust, Inc. \$129,000,000 United Dominion Realty Trust Common Stock \$65,000,000 Cumulative Redeemable Preferred Stock

\$100,000,000 Voruado Realty Trust acquired a 27,1% stake in Alexander's Inc. from Citibank, N.A. \$55,000,000 Common Stock \$85,000,000 Washington REIT \$52,000,000

Wellsford Residential Property Trust Senior Notes \$125,000,000 Preferred Stock \$50,000,000



Authentic Fitness Common Stock \$54,000,000

Boston Chicken, Inc. LYONsTU \$828,000,000 Common Stock \$357,000,000

Broadway Stores, Inc. was acquired by Federated Department Stores, Inc. \$1,619,000,000

A.D. Clark, Inc. was acquired by American Stores Company \$35,000,000 Companhia Brasileira de

Distribuição Grupo Pão de Acúcar Global Depositary Shares \$112,000,000

Eckerd Corporation Common Stock \$252,000,000 Common Stock \$149,000,000

Intelligent Electronics, Inc. acquired the 69.4% it did not already own of The Future Now, Inc. \$85,000,000

Istituto per la Ricostruzione Industriale S.p.A. (IRI) has agreed to sell SME S.p.A. to a consortium led by Edizione Holding S.p.A. (Benerron), Movenpick AG, La Leonardo Finanziaria s.c.l. (Luxotrica) and CREDIOP S.p.A. (co-advisor)

\$1,400,000,000 Kenneth Cole Productions, Inc. Class A Shares \$50,000,000

Lowes Companies Senior Notes \$100,000,000

Luxottica Group \$.p.A. sold its Women's Specialty Retailing Group to La Leonardo Finanziaria s.e.l. Value not disclosed

Nacional Convenience Stores Incorporated was acquired by Diamond Shamrock, Inc. \$260,000,000 Nine West Group Inc.

acquired the Footwear Business of U.S. Shoc Corporation \$600,000,000

Office Depot Common Stock \$521,000,000

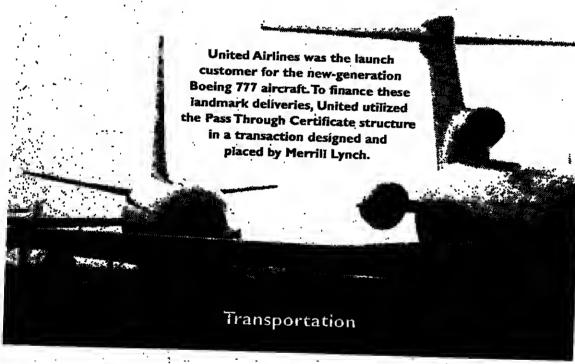
Pathmark Stores, Inc. sold the assets of its 30 irce-standing drug stores to Rite Aid Corporation \$63,600,000

J.C. Penocy Company, Inc. through its wholly owned subsidiary Thrift Drug, Inc. acquired

Kerr Drug Stores, Inc. \$81,000,000 Sears, Roebuck and Co. Retail Credit Card

Securitization

\$523,000,000 The Warnaco Group, Inc. Class A Shares \$254,000,000



Alaska Air Group, Inc. Convertible Senior Debentures

\$132,000,000 Alleghany Corporation advised on its investment in Burlingron Northern/ Sacta Fe Corporation \$254,000,000

AMR Corporation refinancing of special purpose facilities at Dallas-Fort Worth and Nashville airports \$195,000,000

Atlas Air, Inc. Common Stock \$74,000,000

Pass Through Certificates \$100,000,000

Adas Air, Inc.

Commonwealth Governmen of Australia idvised on privatization of Qantas Airways, Ltd. \$1,100,000,000

Continental Airlines Finance Trust Convertible TOPrS' \$250,000,000

Continental Airlines, Inc. ed on repurchase of 6,217,635 Series A and B Warrants from Air Canada \$55,000,000

Federal Express Corporation Pass Through Certificates \$123,000,000

Highway Master Communications, Inc. Common Stock \$79,000,000

Iberia, Lineas Aéreas de España valuation of Lann American Holdings, Aerolineas Argentines

VIASA and Ladeco .B. Hunt Transport Services, Inc. Medium Term Notes \$150,000,000

LOT Polish Airlines Loan Syndication \$25,000,000

Northwest Airlines, Inc. refinancing of special purpos facilities at Detroit and Los Angeles airports \$193,000,000

Penske Truck Leasing Co., L.P. Medium Term Notes \$500,000,000

Penske Truck Leasing Co. acquired seway Transportation Corp.

\$230,000,000 Rollins Truck Leasing Corp. Collareral Trust Debent \$150,000,000

Ryder System Medium Term Notes \$300,000,000

Société Nationale des Chemins de Fer Belges (SNCB) Euro Medium Term Notes \$500,000,000

> United Airlines Pass Through Certificates \$246,000,000

1995 stands as proof. Putting knowledge and intelligence to work requires superior execution and enormous financial strength.

But equally important, it demands a commitment to the client. This means teams of talented professionals working together to devise the best solutions and delivering the most objective advice.

One firm met this challenge, with skill and dedication to a set of guiding principles. We believe it made a difference for our clients and will continue to make a difference in years to come.

The difference is Merrill Lynch.



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Farnell faces potential revolt

By William Lewis and Christopher Price

Owners of at least 10 per cent of the shares in Farnell Electronics are planning to vote against a proposed £1.85bn (\$2.84bn) takeover unless the company and its advisers can dissuade them ahead of an extraordinary meeting next

ens Farnell's plans to create the world's third largest elec-tronic component distributor through the acquisition of Premier Industrial Corporation. To go through the deal needs the support of 75 per cent of the shares voted at the extraordinary meeting. If 40 per cent of Farnell's shares are voted at the meeting, in line with other company meetings, then the proposal will fall if more than 10 per cent of the votes are

"We are highly concerned about the deal," one large insti-tutional shareholder said yesterday. "We have asked the company to provide more information and have told them that as things stand we are minded to vote against the

were willing to be named. Mr Howard Poulson, Farnell chief executive, admitted the "shock effect" of the deal had left many shareholders neryous. But he said: "When we have been to see fund managers, sometimes for the second time, they have seen the com-pelling industrial logic of this deal. The mood has definitley shifted in recent days."

As evidence to this, he pointed to the rise in the group's shares, which had recovered 20p - to 637p - of their 61p loss on the day of the announcement.
Farnell announced its take-

over last Wednesday. It is proposing to buy a company val-ued at \$2bn on the New York market, against its own capi-talisation of £950m, while the £1.85bn price tag is at a 40 per cent premium to Premier's price. Farnell is proposing a mixture of debt, cash, shares and a rights issue to pay for



Howard Poulson: claims mood has shifted in recent days.

Some shareholders have raised concerns over the effect on earnings, seeing dilution until the end of the century.

in the first year and neutral by year two. There are also wor-ries about the Farnell management's ability to run such a

Profits warnings increase in disturbing trend

Two more companies, QS Holdings, the retailer, and Jones Group, the shipping and engineering company, yester-day warned of worse than expected figures, adding to what has been a disturbing trend in the UK results season so far.

The peak time for the report-ing of full-year figures is in March and April and companies have been making state-ments with the aim of persuading the market to reduce over-optimistic profits fore-The retailing sector has been

responsible for a significant number of warnings, with groups such as W. H. Smith. J. Sainsbury and Austin Reed disappointing investors. But Mr Murray Wilson, UK strate-gist at NatWest Securities. points out that some retailers. such as Next and Dixons, have reported good figures, indicating that the risk in the sector is highly company-specific. "Although consumer spending has picked up, they are still pretty fussy about where they

Spend their money" he says.

QS Holdings, which sells discount clothing, made a first-half profits warning last July. It said that trading in the sec-ond half had been et-break-even level. While sales had picked up in December, QS said this was not enough to offset disappointing autumn trading. The company does not plan a final dividend.

While Jones Group is Dublinlisted, its problems were partly caused by the weak UK con-

affected its radiator division. A slowing economy, both in the UK and continental Europe, is one of the main reasons why companies seem to be having problems in main-taining the previously rapid rate of profits growth. Problems in the German housing market, for example, prompted Redland and RMC, the building materials groups, to issue warnings this month. Mr George Hodgson, UK equity strategist at SBC Warburg, says: "Whereas last year many warnings were related to mar-gins, there's a whiff of poor

One consequence of a slowing economy for some compa nies has been the build-mp ed stocks. Management may well respond by reducing production to unwind the problem, with inevitable knock-on

volume growth about the latest

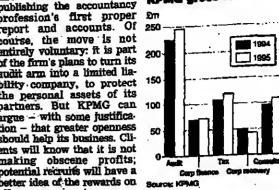
statements.

effects on suppliers.
In spite of these problems, profits across the UK corporate sector are still growing. However, companies have damped down over-optimistic forecasts. Mr Mark Brown, head of strategy and economics et ABN-Amro Hoare Govett, said:

"Six to 12 months ago, expectations for profits growth were unrealistic and since last sum-mer there has been a gradual adjustment. Our bottom-up forecasts for 1996 non-financial earnings growth, based on the predictions of individual company analysts, dropped from 18 per cent in the summer to 12 per cent at the start of the year and 9.5 per cent now."

LEX COMMENT

KPMG deserves credit for publishing the accountancy profession's first proper report and accounts. Of 250 course, the move is not entirely voluntary: it is part of the firm's plans to turn its audit arm into a limited liability company, to protect the personal assets of its partners. But KPMG can argue – with some justifica-tion – that greater openness should help its business. Clients will know that it is not making obscene profits; potential recruits will have a



In the short term, however, these - unaudited m me snort term, however, these - maudited - accounts reveal that times are not so good for the firm. While revenues rose 7 per cent and KPMG has a leading 25 per cent market share in its cere auditing business, profits fell 28 per cent last year. Margins have been whittled down to 3 per cent, cash flow is highly seasonal and, as in most "people businesses" there is comparatively little in the way of asset backing.

there is comparatively little in the way of asset backing.

Nonetheless, partners average pay rose by a tenth to \$125,000 in \$25, with a rather larger increase for Mr Colin Sharman, senior partner. Including pension contributions and profit share, the average package amounted to more than \$130,000. That is thoughty comparable with the remuneration of directors in companies with a similar turnover, but few companies have \$55 timesters. panies have 565 directors.

To be fair, the risks of unlimited liability deserve a higher return. But thet suggests that once the audit arm has been incorporated the audit partners should think about reducing their rewards to reflect the reduced risk.

Gehe may bid for Lloyds Chemists despite rival offer from UniChem

By Patrick Harverson

Gehe of Germany yesterday confirmed it may launch a bid for Lloyds Chemists, the UK drugs retailer which has agreed to a rival £528m offer from UniChem, Britain's leading pharmacenticals wholesaler.

Gebe, the largest drugs wholesaler in Europe, said it had requested information

or not it wishes to make an offer". The statement followed market speculation that the German group was preparing to do battle with UniChem for Lloyds.

If Gehe does make an offer it would represent the group's second big UK bid in a year. In May, Gehe paid £400m for AAH, another UK drugs wholesaler. At the time,

from Lloyds and was "considering whether Mr Dieter Kämmerer, chairman of Gehe'a management board, said the AAH purchase would be the last hig acquisition for some time.

UniChem's agreed offer for Lloyds values its ordinary shares at 408p each, and analysts said yesterday they believed any hostile counter bid would have to be worth at least 450p to stand a chance of winning.

Greenalls Group, the pubs and hotels company, is replacing Forte in the FT-SE 100 index of the UK's leading companies following Granada's victory in its £3.9bn takeover battle for

Forte, it was announced last night. Vodafone Group, the mobile communications company, will take Forte's place in the FT Ordinary, or 30-share index. Forte

Greenalls Group is being replaced by Henlys Group in the FT-SE Mid 250 index, and Henlys also becomes a constituent of the FT-SE Actuaries Lower Yield Index.

The changes took effect after the close of stock market

Tomkins completes purchase | Vodafone plans to double of Gates Rubber for \$1.4bn

Tomkins clinched its first big acquisition in three years yesterday when the UK industrial conglomerate agreed to acquire Gates Rubber, the privately-owned US antomotive and industrial components group, in a deal worth \$1.4bn. The UK group is paying \$1.16bn for Gates, to be financed by two issues of convertible stock which will leave

Additionally, Tomkins will use existing cash reserves to pay off Gates' debts of \$240m, making it the largest acquisi-tion by Tomkins since it paid £935m for Ranks Hovis McDougall, the foods group, in

Even after paying Gates' debts Tomkins will still bave cash resources of at least £140m, but yesterday Mr Greg Hntchings, Tomkins' chair-man, ruled ont any other the Gates family as Tomkins' immediate deals. He said the

spend two to three years running a new acquisition before considering further purchases. Mr Hntchings said the Gates' acquisition - which will be earnings enhancing presented significant opportunities for the enlarged group. Gates is the world's largest manufactorer of power transmission belts and industrial

to September 30 1995 the

group made pre-tax profits of

\$85.5m on sales of \$1.18bn.

its stake in SFR to 20%

Vodafone, the UK mobile telecoms group, plans to dou-ble its stake in Société Francaise du Radiotéléphone to 20 Analysts said the purchase

would cost Vodafone between £300m and £350m (\$539.00). SFR, majority owned by Générale des Eaux, the French conglomerate, reported losses of FFr652m in 1995. Mr Philippe Glotin, SFR president, said he expected the UK in European mobile telephone

company to exercise its option to buy an additional 10 per cent in the next few months. The option expires in June.

Vodafone's interest in SFR, which holds one of two French GSM licences, has been heightened by the rapid development of the French mobile telephone market. During the past six months the number of French mobile phone subscribers has

The move fits with Vodafone's strategy to take stakes

groups. It already owns 16 per cent of E-Plus, the German group co-owned by Thyssen and Veba, and 20 per cent of a

Swedish licence: Other SFR shareholders include Southwestern Bell of the US, and Alcatel Alsthom of France. Mr Glotin said Alcatel Alsthon had given no indication it wanted sell its stake. although Mr Serge Tchuruk, Alcatel Alsthom chairman, ha announced a FFr10bn disposals

programme. Bouygues in the red - Page 16

largest single shareholder Angry shareholders press **QSP** chairman to resign

Angry institutional shareholders of Quality Software Products, the accountancy software group, are to press for the resignation of the chairman, and other senior management changes, amid growing dissent over Monday's profits

QSP shares, which fell 218p to 490p on Monday, tumbled a further 155p yesterday to 355p, a 50 per cent drop over the two

RESULTS

Shareholders are particularly upset at the timing of the warning, coming just 10 weeks after the company, had a £15m (\$23m) rights issue at 535p a

The shares have also now fallen below the 390p at which they were first placed in the market in March 1993. Last night, Mr Alan Mordain, chairman, said he would consider stepping aside. "If the shareholders were to ask for my resignation, I would have

2.57 1.151.4 3.17 0.601 2.781.4 9.971 0.271 1.15 2.091 2.03

(0.142) (22.47) (0.754) (-) (0.169) (0.95) (0.95)

Acquisitions help Wyko recovery to continue

distribution and precision engineering company, confirmed its revived fortunes by nearly trebling interim pre-tax profits with the help of acquisitions.

writes Geoff Dyer. The West Midlands based group, which made losses in 1993 and 1994, improved pre-tax profits in the six months to October 31 from £740,000 to 52.03m. The shares rose 8p to 95p. Analysts, surprised at the speed with which the group's new management team had

Wyko Group, the industrial restored margins, up from 5.3 per cent to 7.2 per cent in the period, increased forecasts for full-year profits from £3.6m to

Industrial distribution, the largest division, which supplies components to manufacturing companies, doubled operating profits to £2.3m (£1.14m).

Oswald Seals, acquired in August 1994, and Olympic Chevin, which was bought in March 1995 after a £7.85m rights issue, added £970,000 to

Carlton pays £5m for UK cable tv channel

Carlton Communications, the television and media services group, has become the first independent television company to own a UK cable chan-nel. It bought the cable rights to SelecTV, which delivers programmes by satellite to more than 900,000 homes.

Mr Michael Green, chairman of Cariton, who is increasingly enthusiastic about the progress of cable in the UK, is paying \$5.2m for the channel. Because owning a satellite-

delivered cable channel is in breach of broadcasting rules, Carlton will deposit the SelecTV shareholding in a "dead-locked" company, in which Carlton holds 50 per cent and a merchant bank This means that no-one is

deemed legally to have control and so gets round the restric-The Carlton deal is part of a £45m dismemberment of

Thames Television Holdings, an indirect subsidiary of Pear-son, which owns the Financial Times, is paying 29p a share for SelecTV, valuing the com-

pany at about 248m. Pearson Television said that it would acquire the programme production and distribution business of SelecTV for about £8m nat of the cost of the overall transaction. The main asset being sold by

SelecTV, which yesterday announced e pre-tax loss for the six months to the end of September of £3.09m (£517.000 profit), was a 15 per cent stake in Meridian, the ITV franchise for south-east England The stake will go to MAI, the

broadcasting and financial services company which controls Meridian, for about £27m cash. As a result, MAI's stake in Meridian will increase from 61 per cent to 76 per cent.

selling part of its stake in Village Roadshow, an Australian entertainment business, for

Greenalls replaces Forte in FT-SE 100

has been a constituent of the FT 30, the oldest continuous index covering UK equities, since November 1983,

Celltech chief has £6.2m options



Mr Peter Fellner, left, chief executive of Celltech, the biotechnology company, accumulated share options by September 1995 that would give a net profit of £6.2m (\$9.54m) if exercised at . yesterday's closing prices, according to the company's annual report, published yesterday. In December, he exercised 605,000 of his 1.25m options, making a net profit of £1.9m. Mr Fellner beads one of the UK's fastestgrowing biotechnology

companies, which employs 500 people and whose share price rose from 207p to 434p in the year to September 30. Shares closed yesterday at 683p. He was paid a salary of £353,300 in the year to September 1995 (£341,100). The company also paid pension contributions worth £110,334 (£108,093).

Celltech made a pre-tax loss of £5.4m in 1995, compared with

IBM software alliance for JBA News of an alliance with IBM lifted shares in JRA Holdings,

the Birmingham-based software group, by 26p to 395p The two companies will work on an advanced method of eveloping business computer programmes in which software

building blocks can be linked together. JBA is a specialist in the technology, known as object The project will be based in Boeblingen, Germany. Mr Steve

Carter, who will lead the project from IBM's Rochester facility in the US said: "This is one of IBM's most important development projects within the software area.

Ramsden's rides hot summer

Harry Ramsden's, the fish and chip shop chain which on Monday announced closer links with Compass, the contract caterer, yesterday unveiled higher full year profits despite the

that summer and soaring potato prices.

The shares firmed &p to 319p after the Guiseley-based company announced its eighth successive pre-tax profits rise up 21 per cent to £1.5m in the year to October 2 on turnover ahead 16 per cent at £4.33m.

The group has expanded its chain to 16 restaurants. Year end net debt totalled £1.87m for gearing of 27 per cent (19 per

... 6 miths to Dec 31 110.8 (94.1) 0.218 (0.039) 0.31L (0.06) **5** Select Capital Advisors

22.5 6 93

6 miles to Sept 30 6 miles to Nov 26

proudly announces the successful completion of

Over \$75,000,000

of Debt and Equity Placements for 31 Client Corporations Funded During 1995

We specialize in providing emerging companies with creative financing solutions. For all types of financial services from debt and equity financing and credit facilities to private placeme call our Miami headquarters at 305-536-2400.

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National Australia Bank US\$100,000,000 Floating rate notes due

Notice is hereby given that the rate of interest relating to the above issue has been fixed at 5.625 per cent for the period 3. lanuary 1996 to 31 July 1996. Interest payable on 31 July 1996 per US\$10,000 note will be US\$284.38.

Agent: Morgan Guaranty Trust Company **JPMorgan**

Limited

NOTICE TO THE HOLDERS OF US 1,500,000,000 UNITED MEXICAN STATES DUE 11/27/96.

The Applicable Cere Easts for the period of January 25, 1995 to February 22, 1995 is 37.23% mutual. CHEMICAL.



US\$400,000,000 Floating rate notes due 1996

provisions of the notes, notice is hereby given that for the interest period from 31 January 1996 to 31 July 1996 the rate of 5,25% per armum. The interest payable on the relevant payment date, 31 July 1996, will be US\$6,635.42 per

Agent: Morgan Guaranty Trust Company **JPMorgan**



Republic of Italy ECU1,000,000,000 Floating rate notes due

Notice is hereby given that the notes will bear interest at 4.67188% per annum from 31 January 1996 to 30 April 1996. Interest poyable on 30 April 1996 will amount to ECU58.40 per ECU5,000 note and ECU583.99 per ECU50,000 note and ECU1,167.97 per

Agent Morgan Guaranty Trust Company **JPMorgan**

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JPMorgan

Mass Transit Railway Corporation (A corporation established by the Mass Transit Railway Corporation Ordinance of Hong Kong)

HK\$3,000,000,000

Medium Term Note Programme HK\$160,000,000 Collared Florting Rate Notes due 1996

Notice is hereby given that the HIBOR applicable to the subject notes for the period from January 25, 1996 to April 25, 1996 is fixed at 5.75 pct p.a.. The inclusive rate is 5.8125 pct p.a.. Coupon amount payable on April 25, 1996 per HK\$500,000 note is HK\$7,245.72, with principal repayment of HK\$500,000 ner certificate. Morgan Guaranty Trust Company of New York Hong Kong As HK Reference Agent

Citicorp Banking Corporation (Incorporated in the State of Delaws

CITICORPO US\$250,000,000 GUARANIED ROADING RAIF SUBORDINATED CARTAL NOTES

OUE (ANLARY 1997

Nation is hardly given that the Rote of interest has been fixed or 5.625% and that the
interest payoble on the relevant interest Payment Does February 16, 1996 against
Caupon No. 45 in respect of US\$10,000 nontrival of the Notes will be US\$25.00.

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IMENT Slide in lead stocks continues

By Kenneth Gooding, Mining Correspondent

Stocks of lead in London Metal Exchange registered warehouses, already at their lowest level for more than four years, were reported yesterday to have faller by another 3 per cent or 3,225 tonnes, to only 110,675 tombes.

Lead's price responded by moving up by \$6 a tonne to close at \$736.50 for metal for delivery in three months. The market's tightness of supply has also driven lead - used mainly in batteries - into backwardstion, meaning buyers were having to pay a preminm for immediate delivery. The cash price closad last night at \$724.50 a tonna, up

The price started the day

slightly weaker after overnight news that a tentative deal had been reached for new labour contracts at three Asarco smelters in the US that between them account for about 7 per cent of the western world's primary lead output. The existing contracts end

Analysts suggest that lead stocks will continue to fall in the next few months, taking them to critical levels. Mr Angus MacMillan.

research manager at Billiton Metals, a Gencor subsidiary. estimates that consumption of lead, at 4.86m tonnes, outpaced supply by 125,000 tonnes last year. He predicts consumption will rise again this year, to 4.95m tonnes, and that the supply deficit will be about 85,000

had made a "promise or

engagemant" to praserve native title indefinitely over

lands to which it granted pas-

toral rights. But the judge said

he saw nothing in the material

submitted that "gives any sup-port for a conclusion that prior

to the passing of the 1855 Impe-

rial Act, any undertaking had

been given or commitment made by, or on behalf of, the

Aboriginal claim over bauxite lease rejected

An Australian federal court judge has rejected a claim by the Wik people for native title rights over a large tract of land in far north Queensland. The land claim covers more replaces T-SE 100 than 35,000 sq km, including the southern part of the valuable Weipa bauxite lease held by CRA, the Australian mining group, which last year merged operationally with Britain's RZZ. It has been one

of the most high-profile claims in the long struggle between Australia's aborighnal community and its mining industry over their respective land In his ruling, Justice Doug

Drummond found that the granting of pastoral leases in the 19th century and mining leases at the beginning of this century had effectively extinguished the right to native title.

The Wik people had argued that, prior of 1855, the Crown

COMMODITIES PRICES

LONDON METAL EXCHANGE

BASE METALS

leads LME price rally

COPPER prices held above the \$2,500 level yesterday and the firmer trend filtered through to other London Metal Exchange

MARKET REPORT

Copper

Traders said copper was aided by a 675-tonne fall in LME warehouse stocks, which some said might herald a series of sizeable withdrawals in coming weeks.

The cash premium over three months delivery metal moved out about \$10 to \$50, which prompted short-cover-ing. But traders said prices needed to clear tough resistance around \$2,520, for three months metal, to negate a bearish technical picture.

US investment fund managers hurst COFFEE's hubble after London Commodity Exchange robusts futures had moved to fresh 10-week highs. But traders believed it was only a correction to the buying which has lifted prices recently Compiled from Renters

tornes	and of	
Akamintam	-1,750	to 848,61
Numiraum alloy	-1,260	10 58,82
Copper	-675	to 369,50
Land	-3,225	10 110,67
Pickel	-378	to 40,710
Zinc	-5,A75	to 650,70
Tim	-35	10 17,520

Chilean flower may join pest war

Alison Maitland reports on a plant that could revolutionise crop protection

tating pest damage to crops around the world could be revolutionised thanks to a yellow-flowered plant that grows in the footbills of the Chilean Andes.

COMMODITIES AND AGRICULTURE

The plant has been found to contain two naturally occurring insecticides that kill pests such as whitefiles and mites that are resistant to many current commercial sprays.

Leading agrochemical companies are now assessing whether the powerful compounds, known as naphthoquinones, can be produced commercially. The breakthrough "could be

the most important crop protection discovery since the vey, chief executive of BTG, the biotechnology transfer company that funded the research and has applied for patents on the compounds. Pyrethroid insecticides were developed in the 1960s from a relative of the chrysanthemum and account for 20 per cent of the estimated \$5hn world insec-ticide market. Derived from

unlike many chemically-based The compounds in the Chilean plant kill a range of highly damaging insects including a virulent strain of the tobacco

whitefiv, Bentisia tabaci, This

plants, they are regarded as

safe to humans and animals,



Calceolaria Andina is a very selective killer

strain multiplies five times faster than others, can feed off 600 different crop and weed species and transmit at least 60 viruses

that harm plants.

Among these is the leaf curl virus which has reduced the cotton harvest in Pakistan by 30-40 per cent several times in the past five years.

The whitefly, which can devastate entire crops in extreme cases, has emerged in rampant form over the past decade. Its penchant for valuable ornamental plants, which are widely traded, has helped it to spread around the world.

It has severely damaged tomato, melon and vegetable harvests in central America,

US and the Middle East.
"It's become probably the most serious pest of agricul-ture on a global scale," says Dr Ian Denholm, one of the scientists involved in isolating the active compounds at the UK's Institute of Arable Crops

The whitefly, along with strains of the two-spotted spider mite and the peach-potato aphid, are among over 500 insect species that have developed resistance to modern

The extraordinary feature of the compounds found in the Chileen plant is that they tareffective against the resistant

"Most plants that produce biocides kill everything, including us." says Professor John Pickett of Rothamsted. "These plants seem to be very selective.

The plants were among 400 species collected by scientists from the University of Chile in a survey of plants' pesticide or pharmaceutical value. Known as Calceolaria andina, the plant contains up to 5 per cent of the new compounds when dried - a relatively high content, scientists say.
The Rothamsted research

team is developing synthetic versions of the natural com-pounds in an attempt to make them even more effective and environment-friendly. Mean-while, the Royal Botanic Gar-dens at Kew is investigating whether the plants could be grown as a crop for their insecticide properties, either in South America or northern Europe.

One consideration facing the agrochemical companies assessing the compounds is bow best to apply them to crops to avoid building up fresh resistance in insect pests. Resistance is caused by intensive spraying, which allows those insects that sur-vive - the resistant ones - to reproduce and become domiEarly start for Lihir gold mine

Lihir Gold, whose gold mine in Papua New Guinea, is destined to become one of the biggest in the world, will spend an extra US\$8.7m to start np six months earlier than was planned when tt was launched on the Australian stock exchange last October.

The budget previously was US\$673m. By the end of December, capital expenditure of the project totalled \$79,42m. The company said yesterday the mine would start processing oxide ore in July next year while the target date at flotation was January 1998. The extra cost would be offset by production of between 100,000 and 130,000 troy ounces of

Although some of the processing facilities would not be completed by July, 1997, early processing of oxide ore would allow extra training and give more time for commissioning plant. In turn, this should lead to a smoother start-np when sulphide ore

The mine is expected to pro duce an average of 584,000 nunces of gold annually for its first 15 years in operation from one of the world's biggest deposits - more than 40m

'Question marks' hang over Oman-India gas pipeline

By Mark Nicholson in New

senior Omani official admitted this week that there were "question marks" over the Gulf sultanate's proposed gas pipeline project to India, adding that work on the \$5hn scheme would in any case not be feasible until "early in the

> Mr Khalifa bin Mubarak al-Hinai, the Oman oil ministry's director general of gas and petroleum industries, said the sultanate could not yet make

definite supply commitments bian Sea pipelines was due for for the pipeline. It could take a construction this year and for further two years of "more dedicated exploration appraisals" before the country could be certain it had sufficient proven gas reserves to feed the pipe-

The project was not shelved, he said at a conference in New Delhi on Monday, but he added that there would have to be "more time and study to come np with a viable pipeline between the two nations."

construction this year and for first gas deliveries in June 1999, under an initial gas supply agreement reached between the two countries in

September 1994. A twin, wide-diameter pipeline was proposed, requiring estimated investment of \$5bn and designed to provide India with a total of 56m standard cubic metres of gas

India has been insisting on a firm commitment from Oman that it has the requisite

908 1,142 22,758 929 1,247 17,557 950 943 9,655 970 146 34,852 980 888 11,810

1,882 24,948 149 8,435 459 8,801 88 9,278 75 6,865

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599,7%) LIME

III COPPER

III COFFEE LCE

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Gold (per troy oz)\$ Silver (per troy oz)\$ Platinum (per troy oz.)

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OTHER

III OIL PRODUCTS

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2400

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III COFFEE 'C' CSCE (37,500bs; cente/lbs)

E COFFEE (ICO) (US ounts/pound)

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837 21,594 263 12,627 145 1,894 28,145 155,782

III No7 PREMIUM RAW SUGAR LCE (cents/bs)

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ORANGE JUICE NYCE (15,000bs; cents/bs)

-0.12 -0.12 -0.01 +0.01 -0.02

reserves to supply the proposed pipeline over an economically viable period - at least

25 years. Mr al-Hinai said Oman's "proven" reserves stood at 9.000bn standard cubic feet, with a "further increase to be announced soon". "Expectation" reserves, he said, stood at 25,000hn scf, to which he said an additional 7,000bn to 15,000bn were "widely expected" to be discovered. The sulted 7,000bn scf already to the

MEAT AND LIVESTOCK

III LIVE CATTLE CME (40,000bs; cents/bi

44,900 -0,175 45,200 44,875 50,480 - 50,800 50,150 49,300 -0,025 49,425 49,100 47,875 +0,820 47,820 47,500

III PORK BELLIES CHE (40,000/bic cents/fbs)

+8.100 43.850 43.525

57.150 ~4.225 57.500 562790 1,413 58.700 ~4.225 57.250 58.350 783 58.600 ~4.650 57.600 58.350 28 58.600 ~4.250 57.250 58.350 28 58.600 ~4.250 57.250 58.350 28 55.850 ~4.300 54.400 58.550 29

LONDON TRADED OPTIONS

163 100 56

\$15,54-5,56w \$16,58-6,60 \$16,38-6,40

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\$405.20 555.50 \$420.25 \$128.25

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Eprompt delivery CSF (tonne)

LONDON SPOT MARKETS

84 65

project.

Mr al-Hinai said there also remained unsolved technological problems with the proposed pipeline, which would run dersea for 1,100km from Ras al Jifran in Oman to Rapar Gedwali on the Indian coast.

Reaching a depth of 3.5km, it

would be the world's deepest

line at such a depth. No

wide-diameter gas pipeline by a long way. He said, engineers had not found satisfactory means of addressing repairs to the pipe-

The Omani-Indian pipeline, along with another, more politically controverslal, being mooted from Iran to India and passing either by or through Pakistan, are central to India'e vision of meeting its accelerating energy requirements. Mr ter of petroleum and natural gas, told the conference India produced 55m cu m of gas daily but claimed "registered

demand" already stood at 260m

country's liquefied natural gas remotely-operated repair cu m a day. JOTTER PAD \$3.275 -0.800 \$4.050 \$3.225 7,702 18,457 \$13.375 -0.425 \$9.950 \$3.225 8,850 24,455 \$1,025 -0.4376 \$1,530 \$1,020 1,764 \$3,415 \$13.50 -0.325 \$1,350 \$1,350 \$1,350 \$4,465 \$1,255 -0.376 \$1,800 \$1,250 \$404 \$1,530 \$1,250 \$2,241 77,851 Dill a Accesse, lavolce, receipt, statement, tally, if nor market and your electricity bill is over £12,000 pc, you may et by switching to on Eastern controct. Fall details available ent, talky, if you qualify for the 100kH bilt to Contents for a bottler shoot 0800 99 77 55

CROSSWORD

20 Outlaw meeting king at edge of river (4)
21 Old man given a wide berth at sea (5-5)

24 It's many years since pine's been given a try (4,3) 25 Don't accept rubbish (6) 26 Home for lordly leader in

1 Chump getting past in chasm

5 Part of Oklahoma half of which is in Nebraska (5) 6 Magazine for one side of Lon-

social group? (6)

No.8,981 Set by CINCINNUS ACROSS 1 A horse led astray from the water? (6) 4 Slough produces gold in bulk don? (7) 7 Spectacles always provided 8 Terribly nice day for poison for a tourist? (9) 10 In Greek he is tireligious (9) Wise about country food (7) 13 Bill carries letter in Greece 11 Is art revolutionised after the use a poor writer (9) queen leaves a spider plant? 15 Real bacon cooked in Spain (10) 12 A short letter, a letter short 17 Mimic has to leave the (4) 13 A spud not a kinkajou (5) 14 Make brave old men be wor15 Father (8) Lading (7) 21 A Kipling poem was about neglected children (5) 21 half tha 16 Expert witness starts off with audacity (8) 18 Two-way advert (5) 18 Two-way advert (5)

28 Poison from port in a storm

2 Old invader taking his time about English (7) 3 Druid involved with blood in

FUTURE FASTIFOOD A Y H B I N E RANBOM PROCEEDS B B D U T G T WISPEN SPEAKING MINAPI SPEAKING
TO DITE SI
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Solution 8,890

(Prices from Amelgameted Metal Trading)

III ALUMENIUM, 80.7 PURITY (\$ per toront) 1540-12 1531.5-32.5 1579/1570 219,803 IN ALUMINIUM ALLOY (5 per torms 1372-75 1370-75 1330-40 1337 4,718 Open Int. Total daily tumover III LEAD (\$ per tonne 720-1 714-5 727/715 719-20 725-6 724-6 716.5-7.5 725 725-26 Altance for A Kerb clase Open int. 'Total daily turnover 5,372 III NICKEL (\$ per torre Close Previous High/low AM Official 8295-305 8080-80 8360/8120 8225-30 8330-40 8115-25 Keets close Open Int. Total daily turnover TIN (\$ per torune) Close Previous High/low AM Official 6190-200 6145-55 6170-80 6155 6155-60 6220-25 6220-6180 ZINC, special bigh grade & per 1027-8 1014-15 1045-8 High/low AM Official Kerb close 1043-44 1063-4 1025-25.5 74,933 Open int. Total delly turnover M COPPER, grade A (5 per tonne 2502-8 2466-67 2512/2475 2550-53 2504-9 2547-48 73,8098 I LME AM Official E/S rate: 1.5051 LME Closing E/S rate: 1.5040 Goot: 1.5043 3 miles: 1.5014 9 miles: 1.4969 9 miles: 1.4957 IF HIGH GRADE COPPER (COMEX) 116.10 +2.00 117.30 116.00 115.45 +2.35 116.40 113.10 113.60 +2.00 113.80 113.50 112.80 +1.90 113.60 110.90 356 111.55 +1.50 111.00 111.00 110.40 +1.10 111.30 110.50 PRECIOUS METALS Prices supplied by N M Rothsch 2 equiv SFr equiv \$ price 406.00-405.40 406.10-406.50 Gold (Troy oz) 269.910 490.684 270.384 493.348 406.10-406.50 406.70 406.55 407.30-407.70 404.60-405.00 406.00-406.40 nen Gold Landing Rates (Vs USS) Loco Ldn N A months . month . 3,25 _3.10 \$ moraba US cts equiv. 557.50 563.35 p/troy oz. 369.90 374.50

Bliver Pb: Spot 3 months

Gold Coins Krugerand Maple Lief New Sovers

ENERGY III CRUDE OIL NYMEX (42,000 US galle, S/berrel) E CRUDE OL IPE (\$/be/rel M HEATING OIL NYMEX (42,000 US guile.; a/US guile.) MATURAL GAS MINEX (10,000 pmets; S/mmets) MYMEX (42,000 US game; c/US palls.)

Crown for the benefit of aboriginals, which could amount to a promise or engagement of the kind relied on". Justice Drummond's raling was welcomed by Comalco, the listed CRA aluminium subsidiary that runs the Weipa mining operations, which said it hoped to "resolve outstanding issues [with the local aboriginal communities] through consultation rather than litigation. However, legal counsel for next century the Wik people indicated that the decision would probably be appealed to the High Court, Australia's highest judicial Precious Metals continued GOLD COMEX (100 Troy az.; \$/troy az.)

558.3

16.93

15.73

+0.23 +0.18 +0.08

+0.11

+0.67 +0.97 +0.56 +0.36 52.10 51.15 48.90 47.15

Sett Day's price change their

2.506 +0.163 2.105 +0.089 1.990 +0.044 1.910 +0.025

1.875 +0.019 1.880 1.865 +0.016 1.865

+0.79

+0.52

+0.35 +0.40 +0.55

589,35 581,45

£ equiv. 269-271

379.25 389.20

\$ price 405-408 417.78-420.35 94.97

+0.50 158,75 155,25 +1.75 152,00 150,75

+1.50 148.75 147.00 +1.75 146.50 145.25 +2.00 146.00 144.25 +2.00 148.50 144.50

15.75

17.33 17.02 28.601 52.565 17.18 17.00 12.767 37.265 17.10 16.96 13.108 35.160 17.02 16.96 13.108 35.160 17.02 16.96 1,107 17,380

113,021 \$07,360

15.20 15.610 65,945 15.89 10,778 35,815 15.75 1,674 10,079

15.56 · 2,373 8,606 15.55 1,385 4,526

50.80 14,118 16,407 50.00 14,196 34,808 44,20 7,575 15,142 46,65 1,863 8,956 46,10 3,174 10,978 46,10 1,858 5,277

1.658 5,277 80,852 112,286

5 5,745 27,807 5 4,743 19,047 9 1,149 8,768 5 460 4,780 9 344 5,991 146 4,887 12,547 74,276

2580 2340 16,682 27,228, 2130 2,045 3,640 16,163 2,000 1,960 2,679 14,988 1,915 1,890 622 11,655

53.35 52.00 9,128 10,697 52.80 51.80 10,715 22,821

54.75 54.05 3.254 13,792 54.50 53.90 1,968 7,468 54.05 53.70 979 4,473

54.50 53.90 1,968 7,468 54.05 53.70 979 4,473 53.25 53.10 286 3,519

2.045 3.640 16.582 27.28.
2.045 3.640 16.186
1.860 2.679 14.988
1.860 822 11.866
1.860 424 8.367
1.860 817 8.427
27.181 136,333

BR

10,778 35,815 1,874 10,079 2,809 17,718

The first of two trans-Ara-GRAINS AND OIL SEEDS WHEAT LCE (2 per tonne) Self Pay's price change legs Low 121.85 -0.80 124.85 124.00 126.00 -0.65 128.95 128.00 127.55 -0.85 128.00 128.75 128.20 112.75 -0.85 113.80 113.80 114.80 464.1 -1.7 407.2 402.8 43.827 25.052 407.0 -1.8 410.4 405.8 44.988 101,488 409.0 -1.8 412.3 407.8 3.153 29.818 415.0 +2.8 412.5 409.5 128 102.47 412.0 -1.9 414.8 414.6 10 4.115 413.5 -1.8 416.5 412.5 810 12.837 \$2,955 223.317 PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) 62 3,653 3 1,118 +0.7 428.0 424.0 +0.7 428.0 426.0 +0.7 434.0 434.0 424.3 426.0 3 1,118 1 54 5,344 23,327

305 2,385 205 3,536 30 465 10 180 32 1,273 10 23 567 7,578 M WHEAT CET (5,000bu min; cents/50th bushe) 489.75 +8.25 497.00 4778.50 4.279 12,192 453.00 +10.25 454.00 441.50 825 6,514 489.00 +9.5 681.00 488.50 741 3.006 260.00 - 380.00 588.00 22 145 PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) III MAZZE CBT (5,000 bu min; center55to bushel) 367.75 +4 368.00 562.00 41,559 191,047 571,50 +4.25 571,75 586.00 17,150 124,130 368,25 +4.25 586,75 361.25 9,340 88,824 513,75 +3.5 514.00 309.50 2,534 28,873 298,75 +2.75 228,00 294,50 8,402 58,277 M SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) +125 38173 38125 8340 18.824 +3.5 31400 389.50 2.534 28.873 +2.75 288.00 284.50 8.602 58.277 +3 304.25 380.75 629 3.575 +1.8 561.0 553.0 10,866 59,210 +1.8 565.0 558.0 406 15,246 +1.8 570.5 561.0 225 8,445 +1.8 570.5 568.0 109 8,528 +1.8 579.0 572.5 46 5,986 +1.8 3 BARLEY LCE (E per torne) 115.10 -0.75 115.75 115.00 116.75 -0.90 117.75 118.75 106.35 +0.35 109.25 109.35 105.25 +0.35 109.25 109.25 -110.79 -1.00 111.00 119.75 60 123

#0,030 **#03,39**1 725 384 29 134 82 1,285 M SOYABEANS CST (5,000bu mis; cents/60b busine) 738.50 +8.5 737.00 728.00 28.282 82.564 744.00 +8.75 744.75 734.80 52.20 32.207 747.50 +62.55 748.00 737.25 4386 32.709 744.00 +0 745.00 734.30 107 3.079 728.50 +8.75 727.00 734.75 62 2.721 704.76 +8 705.00 696.50 3.552 35.286 52 2,721 3,552 35,296 34,832 192,812 24.25 +0.36 24.35 23.26 3,747 42.189 24.57 +0.34 24.77 24.22 2.574 19,418 24.96 +0.35 23.08 24.58 1,944 14,107 25.11 +0.35 25.18 24.76 149 3,963 25.22 +0.32 25.32 24.85 169 2,038 1,944 149 184 37 +0.85 25.40 25.15 # SCYABEAN MEAL COT (100 tore; S/tor) POTATOES LCE (E/torne) 200.8

+1.5 224.8 221.8 9.832 41,972 +1.8 237.7 234.5 3,304 19,738 +1.8 238.3 225.1 2,267 17,865 +3 227.5 224.5 151 3,123 +3.6 233.8 223.0 53 2,300 +2.5 223.5 223.0 45 1,309 +2.5 223.5 223.0 45 1,309 +1.0 178.0 173.0 FREIGHT (BIFFEQ LCE \$10/index point) -6 1520 1520 -32 1420 1290 -32 1435 1400 -39 1425 1407 -41 1312 1225 -15 1355 1550 1408 1288 1385

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european wee manus, norm degai blacch, a per ib in werehouse, unless otherwise stand (ast week's in brackets, where changed, Ami-mony 98.8%, 5 per torus, 3.275-3.400 (5.375-3.440). Blaccusty min. 98.96%, torus loss 3.85-4.15 (2.90-4.20). Cadmisum: min. 99.96%, 4.15 (8,97-4.20). Cadentum: min. 99.95%, 180-195 cents a pound. Cobait: MS free market. 99.8%, \$1,50-82.50 (92.00-83-20); 99.3%, 29.00-28.50 (28.20-28.79). Marcany: min. 99.95%, \$ per 75 in fasts, 150-170. Melybdeasatt: drammed molybolic codds, 4.20-4.40 (4.50-4.46). Salentum: min. 99.5%, 3.75-4.45 (3.50-4.50). Tungstan one: standard min. 55%, 3.75-4.50; per towns craft (10kg) WO, cf. 50-58. Vecediam: min. 98%, cf., 2.65-3.00. Urenitum: Nuscoo exchange value, 10,00.

119.20 +0.70 120.00 177.75 2,222 14,762 119.70 +0.45 120.00 119.10 501 4,219 120.00 54 1,579 121.40 -0.35 120.00 120.00 52 1,141 17.50 -1.25 178.20 120.00 52 1,141 17.50 -1.25 178.20 177.50 7 533 177.55 -1.05 119.76 177.50 11 1,527 2,247 23,651 INDICES ■ REUTERS (Base: 18/9/31×100)

A STATE OF THE PROPERTY OF

VOLUME DATA
Open Interest and Volume data shown for
contracts traded on COMEX, NYMEX, CST,
NYCE, CME and CSCE are one day in arrests. Jen 30 Jen 29 month age year age 2179.5 2151.7 2090A 2268.5 M CRB Futures (Sase, 1967-100) ■ GSCI Spot (Base: 1970=100)

Jan 25 month ago year ago 242.21

Jan 26 month ago 187,45 203,50

Scyabeans (US) Cotton Outlook'A' Index Wooltops (54e Super)

By Roula Khalaf

For the cash-strapped Gulf

states, financial information is a closely guarded secret and

sovereign ratings have for long

been considered as interference

So it is with some anxiety

that the governments will

greet the ratings assigned to

them yesterday by Moody's.

The US rating agency awarded

Kuwalt, Oman and Saudi

Arabia investment grade rat-

ings while Bahrain and Qatar

were considered below invest-

ment grade. Kuwait won the

highest rating and even Oman

cama before Saudi Arahia.

Kuwait received a Baal rating

compared with Oman's Baa2

The ratings are believed to

Moody's was provided with

"The Gulf states are gener-

some government information.

ally upset because the ratings

were done without full access

to information when the amount of information avail-

able about the Gulf is limited,"

said one Gulf banker yester-

day. Moody's, however, said its

ratings were always supported

The move is the result of

increased competition among

agencies to provide clients

with ratings of banks in the

Middle East. This exercise.

however, first requires the

establishment of an indicative

Technically, Moody's has

assigned sovereign ceilings to

financial instruments of insti-

tutions based in the countries.

But agency officials said the rating would be the same for the debt of the country.

While Kuwait's rating is

based on the country's strong

current account position,

which Moody's said mitigates the impact of persistent fiscal

deficits, the agency considered

rating for the country.

by adequate information.

unsolicited, although

and Saudi Arabia's Baa3.

in a country's internal affairs.

Moody's puts a

Losses reversed on interest rate optimism

By Martin Brice in London and Lisa Bransten in New York

toterest rate cuts, both real and anticipated and on both sides of the Atlantic, restored some poise to government bonds yesterday after the recent sell-off.

Italian bonds were the star performers in Europe, helped by hopes of a political settlement, and the Swedish central bank surprised the markets with an interest rate cut.

■ in the US, weak retail sales figures, dejected consumers and hopes that the Federal Reserve might lower interest rates today also helped Treasuries reverse Monday's losses. Near midday, the benchmark 30-year Treasury was % higher at 111#2 to yield 6.030 per cent, while at the short end of the maturity spectrum the two-

yielding 5.000 per cent. Treasury prices jumped in morning trading after the Commerce Department reported retail sales up 0.3 per cent to
December, making 1995 the of their holdings. Also, the

year note was np 1/4 at 9921.

worst year for retailers since 1991. Analysts had expected an increase closer to 0.6 per cent. Another sign that the economy was slowing came from the Conference Board, which said its index of consumer confidence dropped 12 points to 87 in January, its lowest level in

more than 18 months. Mr Edgar Fiedler, economic counsellor at the Conference Board, said bad weather, the

GOVERNMENT BONDS

government shut down and a recent wave of lay-off announcements contributed to consumer pessimism.

"It remains to be seen, how ever, if these factors resulted in a temporary drop in confi-dence that will rebound, or if the decline is a signal from consumers that slower growth is on the horizon." he said. The market took the latter interpretation, which is good news for investors worried that

signs of sluggish growth could spur the Fed to lower interest rates today at the conclusion of the two-day Open Market Com-

German government bonds were lifted by hopes of a cut in the repo rate today, with money market rates suggesting a reduction of up to 13 basis points. The yield on two-year paper fell by 7 basis points and that on 10-year paper by 4 points, with the spread between the two maturities

24 -

21 -

Source: FT Extel

January 1996

0.46, while the spread over 10-year bunds tightened in 4 basis points to 49.

analyst at Crédit Lyonnais in Parls, said the Bank of France

might cut interest rates this

Mr Iain Lindsay, senior bond

increasing to 223 points. On Liffe, the March 10-year bund future closed at 100.50, up 0.44. The yield spread of 10-year bunds over US Treasuries widened from 14 to 17 basis

French government bonds were lifted by bund strength and hopes of an interest rate cut that were highlighted by a 1 per cent reduction in the Livret A, a retail saving rate. Yields on longer-dated bonds fell by 5 basis points, while the short end saw yields fall by 15 basis points to 4.4 per cent and

of a solution to the domestic 10-yr bond yield spread political problem, despite a lack of firm news. The yield den minus Germany, basis points spread over 10-year bunds tightened by 13 basis points to 440 points.

> ■ UK government bonds rose on the back of bunds as investors focused on today's auction of £3hm of the 8 per cent gilt due 2000. Mr Simon Briscoe, economist at Nikko, said he expected cover to be between 11/4 and 2 times, with a tail of 2 or 3 basis points.

On Liffe the March long gilt future closed at 110%, up 1 while the spread over 10-year bunds was static at 169 basis March Pihor rose by 0.20 to 95.43. On Matif the March 10year future settled at 122.80, up

The Riksbank, the Swedish central bank, surprised traders with a 21 basis point cut in the repo rate to 8.45 per cent and yields fell along the curve. Traders said market rates suggested further cuts of between 20 and 25 basts points within a month. The yield read over Germany on Swedish 10-year bonds tightened by 3 basis points to 248 points.

week, possibly on Thursday. I Italian government bonds outperformed hunds on hopes

Portuguese derivative contract well received

By Peter Wise in Lisbon and Antonia Sharpe in London

Bankers Trust, which on Monday launched the first derivative contract on a Portuguese stock market index, is planning a second offering soon because of the strong

investor response.
On Monday, Bankers Trust issued 1m dollar-denominated warrants based on the Portuguese Stock Index-20, which is made up of the 20 leading shares listed in Lisbon. The index was created last year as the basis for futures and options contracts on Portugal's still-unopened derivatives exchange.

The warrants, which entitle tovestors to any gain in the PSI-20 over the next 18 nonths, tapped the demand which has been building up ahead of the opening of the Oporto-based exchange.

With other banks believed to be working on similar offerings, the pressure is on the anthorities to open Oporto so that business is not lost to London. The opening has been postponed several times over the past year because of technical problems and is now scheduled for April.

Mr Antonio Beck, a managng director at Bankers Trust in London, said the Luxembourg-listed warrants were sold mainly to Swiss and German institutions which believe Portugal will outperform this year after a disappointing

The exercise price of the warrants, which give the holders the right to buy one call option on the PSI-20 at a preletermined price, was fixed at Es4.259 (\$27.54), the level of the PSI-20 on Monday. Yesterday the index was trading at 4,262, resulting in a small rise in the value of each warrant from \$3.73 to \$3.78.

ceiling on Gulf sovereign ratings that further moves to fonstrain public expenditure in Saudi Arabia will be limited by the difficulty of imposing a measure of austerity ou a population long accustomed to a

generous social safety net. . In the case of Bahrain, Moody's said coocern over stability may impede progress on essential fiscal reforms. It said Qatar's gas reserves, the third largest in the world, offer great potential for long-term foreign exchange inflows but projects in the gas sector may further reduce the country's foreign assets and raise its foreign currency-denominated debt.

Until last year, rating banks in the Middle East had been the exclusive domain of Capital Intelligence. a small

Cyprus-based company Moody's has been seeking to expand its bank rating business and last year set up an office in Cyprus to focus oo this, including in the Middle East. At the same time, London-based IBCA entered into a joint venture with the international Finance Corporation and the Arah Monetary Fund to invest in local ratings agencies in Tunisia, Egypt, Jordan and Lebanon to provide ratings for corporates and banks.

Faced with the onslaught of

agencles, countries in the region have tried to play them against each other. For example, according to bankers, when Moody's first approached Kuwait, it balked at the idea of a rating. It agreed to provide Moody's with some information, but tovited IBCA and opened its books more generously. IBCA's A rating. released in December, was the first for a Gulf state and was two grades above Moody's. Given that Kuwait bad asked for the rating and was paying for it, the rating could have been shelved had the government not liked the outcome.

Dealers kept busy by three jumbo offerings

By Conner Middelmann

Three jumbo offerings kept primary eurobond dealers busy

yesterday. After a week of pre-market-ing, DePfa, Germany's largest public sector lender, saw good international demand for its

INTERNATIONAL **BONDS**

seven-year Pfandbriefe - bonds backed by loans to the public sector. Almost too good, according to Mr Frank Rühland, DePfa treasurer, who was disappointed that only 10 to 15 per cent of the deal went to German investors. Some 35 per cent was placed with US

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

BOND FUTURES AND OPTIONS

122.60 123.30 122.10

ILLONG TERM FRENCH BOND OPTIONS (MATIF)

+0.46 +0.44 +0.44

M NOTIONAL GERMAN BUND PUTURES (LIFFE) DM250,000 100ths of 100%

Sett price Change 100.48 +0.42 99.74 +0.42

6.75 104] 6.93 113 8.93 100] 7.10 1135; 7.16 1045; 7.22 115] 7.03 1183; 6.11 52; 7.40 1134; 7.40 1134; 7.40 1134;

UK GILTS PRICES

127.90 123.34 122.18

02/06 112.3800 -0.440 11/05 102.1800 +0.110 03/05 100.9500 +0.250 12/05 111.7100 +0.390 03/06 106.5400 +0.520 10/01 106.5000 +0.500 03/06 106.3400 +0.490 01/06 100.8600 +0.490 01/06 100.8600 +0.490

104.6600

102,8800 117,8460 111,1480 100,7400 114,3000 102,5600 85,4640 105-01 107-11 111-10 101-28 111-10

08/06

+0.520 +0.520 +0.500 +0.490 +0.460 +0.100

-0.280 -0.310 +0.380 +0.850 +0.500 +5/32 +9/32 +12/32 +11/32 +16/32

Yreasury 88s and Bond Yields

5.36 1ee year

5.27 Three year

5.16 Fee year

5.08 10-year

5.01 30-year

Low

122.28 122.76 121.56

0.12 0.21 0.44 0.84

99.97 99.50

However, "while the domestic market remains very important for us, the main objective of this issue was to get some international momentum going, and we are happy that has been achieved to such a

The bonds will be priced today at a spread of 18 basis points over German government debt. Commerzbank and Morgan Stanley are joint bookrunners, with UBS joint lead. Mexico saw strong demand for its first straight dollar

6.19 6.18 6.36 6.32 7.07 7.12 7.07 8.99 5.39 5.40 6.34 5.83 7.34 7.28 10.021 10.06

1.74 2.96 5.83 9.25 8.39 8.22 5.69 7.34 7.51 5.63 8.07 8.71

1.80 2.98 5.90 9.45 6.53 6.76 7.43 7.59 5.62 6.04 6.81

1.35 2.65 6.13 8.95 8.80 8.80 7.45 7.61 5.80 6.15

Open #4. 137,699 13,792 2,186

Sep

Est. vol. Open Int. 200962 240068 1075 10636

Trees 8 1₂pc 2005\$\pm\$.

Tipe 2006\$\pm\$.

Tipe 2006\$\pm\$.

Tipe 2008\$\pm\$.

Box 2002-64\$\pm\$.

Trees 11_4pc 2003-7

Trees 13_5pc 7007 \$\pm\$.

Trees 15_5pc 7007 \$\pm\$.

Trees 15_5pc 2004-6

Trees 15_5pc 2005

 Trees: 8 1/4pc 2010
 7.18
 1.77
 87

 Care Spc Ln 2011 ±±
 8.09
 7.73
 1111 ½

 Treas Spc 2010±±
 6.74
 7.87
 111 ½

 Treas Spc 2010±12±
 6.74
 7.47
 81 ½

 Treas Spc 2013±±
 7.82
 7.75
 102 ½

 Tuber 2012-15±±
 7.77
 7.77
 29 ½

 Boc 2015
 182
 1.76
 102 ½

 Treas 8 lape 2017±±
 7.88
 7.81
 109 ½

 Boch 10pc 2013-17
 9.61
 7.85
 129 ½

8.04 7.84 5.67 1.88 7.78 7.87

十六十一十六

- 44<u>1</u>1 - 81<u>13</u> - 38<u>1</u>1 - 32 1 - 31 1

172,353 2,486 317

PUTS Jam 0.57 0.84 1.14 1.47

accounts, 80 per cent staved in Europe and 25 per cent went to Asia, be said.

high degree," he said.

bonds in two years and achieved its aim of reopening joint book-runners, J.P. Morthe US institutional market gan and Merrill Lynch. after last year's peso crisis,

Italy

11150 11200 11250

Mar Jun Mar

NEW INTERNATIONAL BOND ISSUES US DOLLARS Feb.2004 Banco de Beston(a) Nankal Electric Railway(b) & Cadbury Beverages Canadalli Mil Bank Intl (Caymen); AUSTRALIAN DOLLARS 7.376 100,588 Feb.2001 Feb.1996 Final terms, non-callable unless stated, Yield spread (over govt bond) at launch supplied by lead manager, wilmisted, @With equity warmints. I Floating-rate note. *Semi-ennual coupon, R: fixed re-offer price, fees shown at re-offer jewil, a) Acting with the Leasing Bonk of Boston, Callable & putable on 2/2/98, 2/2/98 & 2/2/01 at part. a1) 91/5 to 2/2/98, then 91/5 to 2/2/98, then 101/5% to 2/2/01 and 11/4 thereafter, b) Fixing, 6/2/95, c) Oeffentliche Plandbrief, c1) Priced today, d) 3-mith Libor +12/6pp, l) Long first coupon.

with about 60 per cent of the deal placed with US investors. After successful, retail-targeted offerings in the D-Mark and yen sectors over the past year, "this issue completes the rehabilitation of Mexico in the international capital markets," said an official at one of the

BB.D

110.63 110.50

M. BUNG FUTURES OFTIONS (LIFFE) DM250,000 points of 100% CALLS 0.96

M NOTIONAL ITALIAN GOVT, BOND (STP) FUTURES

111.95 111.49

IN NOTIONAL SPANISH BOND FUTURES (MEFF)

ECU BOND FUTURES (MATIF) ECU100,000

Sett price Change 86.75 +1.25 96.50 +0.45

M NOTIONAL UK GELT FUTURES (LIFFE)* \$50,000 32nds of 100% Sett price Change

Mar 110-17 110-26 40-11 110-31 110-12 Jun 109-29 110-05 40-11 109-29 109-28 III LONG GILT FUTURES OPTIONS (UFFE) 250,000 64ths of 100%

E US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

Mor 119.87 119.91 119.78 21 Jun 118.34 118.42 118.30 8 * LEFE hatures also traded on APT. All Open Interest Figs. are for previous day.

-1. 883, 793, referred relating of RPF to 100 in 1
+2. 1121; 1016; factor 3 945 RPF for May 1965; 149
-1. 1131; 1021;
-1. 1031; 223
-1. 1031; 224
-1. 1031; 32
-1. 1042; 328
-1. 1113; 1001; Hotel in Red

Asian Der 10 Lotz (2009 ...
Brass 11 Lycz (2012 ...
Brass 11 Lycz (2012 ...
Brass (Lap 2-2012 ...
Byc Can 19-2 ...
Byc Can 19-2 ...
Byc Can 19-2 ...
Byd Can 19-2 ...
Byd Can 19-2 ...
Byd Can 19-2 ...
Byd Can 19-2 ...
Brass (19-2 ...
Brass

8.84 9.05 8.05 11.72 19.97 19.90 4.00 4.00 13.31

14 14444

8.86 7.52 4.42 4.26

+1.43 +1.42

1.16

IN ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Li-200m 100ms of 100%

High 96.92 95.75

Jun 2-04 1-35 1-10

0-36 0-63 1-37

High

LOW

0.40 0.59 0.86

Although it was oversubscribed, Mexico did not increase the issue, which was already larger than the planned \$750m. The bonds were priced at 445 basis points over Treasuries and narrowed

to 435 points by the close. The KBRD's DMlbn of fiveyear bonds - its first D-Mark issue - saw strong demand in

1.00

110.53 110.50

Low

1.22 1.51 1.82

104,719 48,965

Est. vol Open Int.

Est. vol. Open int.

140506 1349

1,42 1,89 1,89

Asia, where at least half the deal was placed. The bonds were priced at 27 basis points over Bobls and remained stable

throughout the day. Cadbury Beverages Canada issued DM300m of retail-targeted five-year bonds yielding 53 basis points over bunds. The proceeds partly refinance bank loans arranged last year.

	-						Comme.	-					7000						
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FT-ACTUARI	ES FIX	ED I	NTER	EST	MDI	CES													
Price Indices UK Gitte		1 30	Dey's		Mon len 29	Accrued				- Low Jan 30	coupe	n yield	Moc	Cum coup	on yield -	High	Jan 2	ylol	•
		_	chonge												_	_		_	
1 Up to 5 years (2		3.97	+G,D		23.90	2,80		12 5 yrs		6.85	8.87	8.5			6,56	8.96	6.98	8	
2 5-15 years (21)		1.40	+0.16		151.18	2,86		00 15 yr		7.87	7.69	8,46			6.58	7.79	7.61		
3 Over 15 years R		24	+0.23		66.87	2.64		02 20 yr		7.78	7.80	8,43		7.82	8.58	7.86	7.87	8.	12
4 tredeemebles (8		2.33	+0.00		92.22	2.44		00 kned	Ť	7.87	7.87	8.50	,						:
5 All stocks (57)	14	08.8	+0.14	•	45.70	2.84	Q.	21											
												tion 5% on 29			Indiado n 30 Jan				
Index-linked										_									-
6 Up to 5 years (1		1.31	+0.04		88.23	2,33	0.1		0 5 yra			2.48	3.81				.52	- į.	
7 Over 5 years (11		1.38	+0.06		69.26	1.24	O.		5 yrs	3,	56	3.58	3.89		3.36 3	.36 3	.89	٠.	
8 All stocks (12)	189	1.45	+0.06	3 1	89.33	1.26	Q.	00										17	,
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PUTS

CURRENCIES AND MONEY

MARKETS REPORT

Ciling on Golf MARY All eyes on the FOMC

Economics Correspondent

The attention of the markets was split yesterday between the US and Europe. In the US dealers watched anxiously to see whether the Federal Open Markets Commit-

tee would cut US interest rates or not, . In Europe, however, the markets were again convulsed by the future for European growth and monetary union, following the announcement of

a German economic package to stimulate growth. - But in spite of this extensive debate, actual trading was rela-tively steady, with only limited movement in the currencies

The dollar drifted upwards during the day against most currencies, amid e background of speculation about the US economy.

During the day figures were released showing that US retail sales were weaker than expec-

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CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

マースチャル アイア 事が出

(BFr) 100 (DKA 53.15

POUND SPOT FORM

(Jan 30

ted in December, with a monthly rise of only 0.3 per cent. A recent consumer confidence survey was also disappointing, showing worsening

This disappointing data lead some observers to conclude that a US rate cut was now more likely

But with the markets now watching the FOMC meeting. most traders shrugged off the Consequently, the dollar

closed at DML4899 in London, compared with DML4859 et the previous day's finish. Against the yen, however, it strengthened more: by the end of Lon-don trading it was at Y107.25, compared with Y106.6. Meanwhile, it also rose

slightly against sterling, end-

46,1590 8.6811 6.8950

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4.7348 4.7209 161.530 160.580 3.8628 3.8462 2.2507 2.2458

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-0.003 223 - 240

-0.0036 035 - 046 -0.0041 707 - 718 -0.007 722 - 744 -0.0898 409 - 633

+0.0812 270 - 383 -0.0104 209 - 317 +0.594 207 - 465 -0.008 479 - 520 -0.0081 475 - 507 -0.0723 575 - 288

-0.0134 399 - 441 -0.0021 354 - 383 -0.0147 926 - 965

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ing at \$1.5043, compared with \$1.5079 at the previous day. In Europe, the markets were convulsed by fresh debates about the prospects for growth in the continent.

fuelled by the amouncement that Germany and France had both agreed on measures to stimulate their economies. In Bonn, the German govern-

ment announced a 50 point plan aimed at spurring job creation by stimulating investment and growth. The package included cuts in taxes and non-wage labour costs in order to halve unemployment by 2000 from the current rate of near 10 percent.

Meanwhile in Paris a host of French banks reduced their lending rates slightly. This was triggered by e fall in the popular savings rate to 3.50 per cent from 4.50 percent. These two measures were

accompanied by further edges from European leaders that they would meet the targets for e single European cur-

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Latest 0.9383 0.9493 0.8641

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rency.
Indeed, French Finance Minister Jean Arthuis insisted that the slowdown in European growth was only "temporary" The German and French finance ministers have exchanged views to have e clearer picture of the economic

situation in our two countries.

growth since the middle of 1995, Arthuis said.

"We (both) believe that this slowdown is temporary and that a rebound in growth must be expected from the end of the first half of this year," he said. Nevertheless, this announce-

ment was met with a degree of cynicism from the markets, and it had little impact on oge rates. "The list of German propos-als is still rather vague and will do little for jobs," said Hol-

ger Fahrinkrug at UBS in Frankfurt. "It is a package of supply-side measures which could be quite positive for companies but is unlikely to feed through

much into the jobs market," he Consequently, the D-Mark moved in a fairly narrow range during the day, weakening only slightly against the dollar. The French franc, which has been weakening over the last month, also showed only lim-

Against the dollar it closed at FFr5.1185, compared with FFr5.1065 the previous day. Against sterling it closed at

WORLD INTEREST RATES

MONEY RATES

Belgium week ago France week ago

arelandi week ago tsaly week ago Switzerlands Switzerland week ago

week ago

Japan week ago

week ago

US Dollar CDs week ago ECU Linked Ds

week ago

EURO CURRENCY INTEREST

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FFr7.6998, compared with FFr7.7001 the previous day. One reason for this lack of movement was a widespread expectation that the Bundes bank will lower the repo rate today, as a possible prehide to

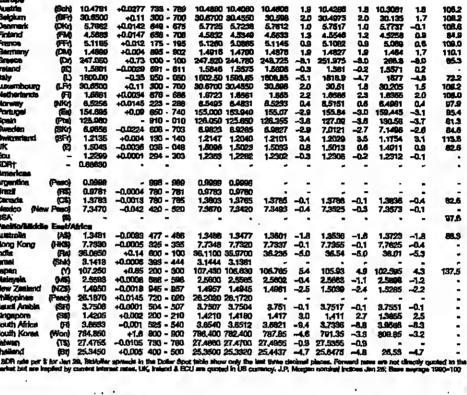
further German rate cuts. Most observers think the reduction will be 10 basis points, although some think it could be more.

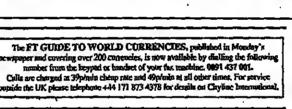
"I still think the repo rate will go down about 10 basis points, but given the market situation I wouldn't rule out the possibility of e stronger decline," another dealer said.

F 47,0259 27,250

The diagnosis is the same: we have witnessed e slowdown in DOLLAR SPOT Closing Change nid-point on day Dey's mid high low One month Three Rate %PA Rate One year J.P Morgan Rate %PA Index +0.0277 733 · 789 +0.11 300 · 700 +0.0142 649 · 573 +0.0147 656 · 705 +0.0147 656 · 705 +0.004 895 · 902 +0.73 700 · 100 -0.0229 691 · 611 -0.35 950 · 950 +0.11 300 · 700 +0.0034 676 · 886 +0.0046 625 · 740 - 910 · 010 -0.0224 606 · 740 +0.0036 036 · 048 +0.0001 294 · 303 30.4550 5.7238 4.5349 5.0885 1.4790 30.6500 5,7962 4,5685 5.1185 30.6700 5.7725 4.5832 5.1260 1.4916 30.598 5.7812 4.5633 5.1145 30.135 5.7737 4.5258 5.089 1.484 268.8 1.5571 1677 30.205 1.6355 6.4961 159.445 130.56 7.1496 1.1754 1,4876 248,725 1,5806 7808,85 30,698 1,865 8,5293 155,07 126,395 6,9827 1,2101 1,5093 1,2302 1.4889 247.050 251.975 1.561 1818.9 30.51 1.6586 8.5151 155.84 127.02 7.0121 1.2029 1.5013 1.2906 1.580 1.5846 1.5846 1.5575 1602.50 1589.65 30.6700 30.4550 1.6723 1.6561 6.5495 6.4831 155,000 163,940 30,6500 1,6881 6,5256 154,685 125,980 6,9856 1,2135 1,5043 1,2299 128.050 125.650 6.9823 6.9285 1.2147 1.2040 1.6096 1.5023 1.2359 1.2282 -3.6 -2.7 3.5 0.6 -0.2 1.4911 1.2312 0.9999 0.9781 1.3783 (Pesc) (RS) (CS) v Pesc) (S) - 998 - 999 -0,0004 780 - 781 -0,0013 780 - 785 0.9999 0.9783 1,3803 0.9996 0.9760 1,3765 1,3785 1.3786 -0,1 -0.3 7,3470 -0.0083 477 - 486 -0.0005 325 - 335 +0.14 600 - 100 +0.0006 383 - 444 +0.85 200 - 300 +0.0008 588 - 586 -0.0018 945 - 957 1,3486 1,3477 7,7348 7,7320 36,1100 35,9700 3,1444 3,1361 107,430 106,630 1,3481 7,7930 1.3723 -0.1 -5.0 5.4 -0.4 -2.5 7.7337 36-235 35.9700 3.1381 106.830 2.5585 1.4945 3.1418 107.250 2.5583 1.4950 2,5600 1.4957 1.4961 26.1670 3.7506 1.4205 9.6693 3.7551

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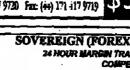
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The Financial Times plans to publish a Survey on Franchising on Monday, March 4th.

This survey will focus on ereas such as research for potential franchises, explores sources of funding evailable and highlights the specialist help available.

For more information, please contact **Lesley Summer** Tel: +44 (0) 171 873 3308 Fax: +44 (0) 171 873 3064 FT Surveys

000,0**0**0,000 Credit du Nord Floating Rate Notes due 1997 For the period from January SI, 1996 to April 80, 1996 the Notes will carry an interest rate of 54% per fundar with an interest amount of US \$137.50 per US \$10,000 Note. The relevant interest payment date will be April 30, 1996. Agent Back;

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Corporation U.S.\$150,000,000 **Putable Capital Notes** for the six month period Jam 31, 1996 to July 31, 1996 the Notes will carry an interest rate of 5.625% per annum with an interest amount of U.S. \$284.38 per U.S.\$10,000 Note payable on July 31, 1996. January 31, 1996 By: Citibank, N.A. (Issuer Services) Agent Bank

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LONDON STOCK EXCHANGE

Interest rate hopes and bid talk help market rally

By Steve Thompson, UK Stock Market Editor

News of the Hanson group's plan to demerge into four separate businesses electrified the company's shares and helped arrest a worrying slide by a flagging UK market.

The Hanson demerger story, another startling rise on Wall Street, which hurtled to a fresh all-time high, and rumblings of a Elbn-plus bid for one of the few remaining independent UK electricity companies, saw London just abont creep into positive ground at

Earlier the FT-SE 100 index had

some dealers attributed to a hefty sell programme, but which others said had reflected increased concerns that the much hoped for reductions in interest rates in the

US and Germany might not occur. The rumoured programme trade activity was said to have involved the sale of around £750m worth of stocks across the European markets and to have kept the lid on Continental bourses for much of the morning. By the close of business in London there was no news on a rate cut in the US, but the chances of such a move were said to have increased substantially after weak economic data were released. These included a lower than

expected increase in US retail sales and a much weaker than expected consumer confidence index.

The Footsie ended a volatile trading session a net 0.7 ahead at 3.735.3. While the FT-SE Mid 250 index continued its run of outperformance against the senior index. closing 6.6 higher at 4,095.7.

Turnover in equities at 6pm reached 839.5m shares and was well ahead of Monday's rather depressed 664.5m. The total was given a big boost by exceptionally beavy trading in Hanson where turnover was well in excess of 100m shares, easily the highest ever in a single session. Overall business was also lifted significantly by a fresh burst of

unusually heavy activity in the climbed a further 33 points to break banks, National Grid and a number the 5,300 level. of big conglomerates.

The banks continued to attract heavy selling pressure, with the mortgage/savings sector, featured by Lloyds TSB. Abbey National and the two Scottish banks, once again being roughly handled by marketmakers. The blame for the large-scale selling of the sector was laid squarely on the mortgage price war

which flared up last week. The Footsie began on a firm note and moved ahead to post the day's best gain of 8.5 shortly after the start, sentiment lifted by the latest blast of optimism in the US, where the Dow Jones Industrial Average

8 West Coast US ntility revived

takeover speculation in the UK

electricity company sector.
Rumours have focused on

General Public Utilities, of the

US, making an offer for Mid-lands Electricity. The latter,

already at a healthy premiur

to the level of a previous bid

made by PowerGen (which was

referred to the Monopolies and

Mergers Commission), gained a

Glaxo Wellcome jumped,

with sentiment boosted by

announcements from rivals on

new treatment - Crixivan - worked better when combined

with Glaxo's AZT and Epivir. It said the triple combination therapy reduced levels of HIV

infection after four months of

treatment in about 85 per cent

Abbott Laboratories made a

similar announcement about

Merck, of the US, said its

Aids drug combinations.

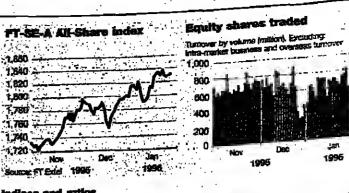
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of patients.

But with doubts about interest rates creeping in, and the rumoured programme selling affecting sentiment, the Footsie dropped back to record a fall of 20.7 over hunch.

Thereafter the index gradually clawed its way back, with the latest tour de force by the Dow, which was up some 50 points 90 minutes after London closed, prompting a

return of confidence to the market. Electricity stocks were among the £1bn loan had been raised by a banking syndicate to finance a bid for one of the handful of indepen-



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Record trade for Hanson

Hanson chose a good time to revitalise investor perceptions when it revealed it was splitting into four units.

Minutes after the announce-

ment, the share price shot up some 15p ~ a very blg move for the normally sluggish shares. Dealers were so frantic in their attempts to pick up stock that electronic screens flashed red as bid and offer prices were briefly reversed. Turnover climbed to 114m, the highest ever recorded for the company. Nevertheless, the stock ended the day only 7 higher at 211½p. That backswing

big questions - how much is Hanson worth? And which bits will get sold off? Sum of the parts calculations looked discouraging and some specialists suggested that there might not be much of an extra boost for the share price in the

reflected creeping caution as

In fact, rivals said the corporate broker, ABN Amro Hoare Govett, was instrumental in

the afternoon sell-off. On the plus side, however, Hanson's old Imperial Tobacco arm could make an attractive sale proposition, as might the energy arm - considering the takeover enthusiasm among the regional electricity groups and Hanson's recent purchase

And US analysts, who have seen a wave of big league

break-ups over the past, say they unlock shareholder value. Mr Jack L. Kelly of Goldman Sachs said: "ITT has gone from \$80 to \$130 in little over year and AT&T went well. Investors like these splits. They remove complexity, make the company easier to analyse, motivate management and

Grid boost

The Hanson news gave an unexpected boost to National Grid shares. Investors had been waiting for Hanson to sell Grid shares acquired through its takeover of Eastern. Now that it is splitting. Hanson is seen as more likely to retain its Grid shares and sell Eastern in Its entirety. National Grid marched forward 12 to 205%p with 39m

Media shift

Pearson, the media conglomerate which owns the Financial Times, ran up on a story in a rival newspaper that Granada had been prepared to offer up to 900p a sbare for the

There was further enpport from news, already widely flagged in the market, that Pearson's subsidiary Thames Television had made a recommended cash offer for SelecTV. The shares rose 9 to 6590.

But what was good news for Pearson reflected badly on Carlton Communications. The latter has agreed to buy SelecTV's cable business and some specialists are concerned that the company now intends to expand in those areas. One senior media analysi

said that with connection costs of at least £1,500 per house and cable rental charges at around £300 a year it would take cable companies at least five years just to break even. Carlton

declined 7 to 1037p. Chartered Standard improved 5 to 64lp on relief that it has finally sold its stockbroking arm. Also, takeover chatter failed to die away and HSBC, seen as 8 potential buyer, rose 21% to 1110%p - a new closing peak - with the help of a strong Hong Kong

market. Meanwhile, the split between the global investment banks and their domestic rivals widened, with Lloyds TSB sliding 16% to 318%p on 34m traded and Abbey National dipping 19 to 595p on mortgage price war

A late breaking story that a banking syndicate, including one Japanese bank, had offered

Wells Fargo & Company

Floating rate subordinated

provisions of the notes, notice

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is hereby given that for the interest period 31 January 1996

US\$200,000,000

notes due 2000

its Ritonavir drug. Glaxo FINANCIAL TIMES EQUITY INDICES

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Total Falls	508	Total Lows	31	Calls	24,666
Same	1,530			Puts	17,950

cautious stance on Great Uniappreciated 18 to close at 933p. Shares in Whithread were in versal Stores, saying the market has got "over-excited over demand and they put on 9 at 697p. A story doing the rounds planned late yesterday suggested that the group was about to buy Forte's motorway service changes". The shares lost 10 to 6920 Talk that Storehouse would areas, Welcome Break, from soon announce the purchase of Childrens World from Boots Granada Group, Dealers said they expected an announcecontinued to do the rounds yesterday. Shares in the former ment any day now and they suggested a price of around hardened 6 to 298p, while the £290m. Shares in Granada

closed 3 firmer at 705p, while Forte ended the session at 341%p, after going ex the special dividend. In the rest of the sector. Scottish & Newcastle gained 10 at 627p ahead of today's analysts visit to some of its operations. Volume was 2.9m.

Talk that the group was plan-ning to make a bid for lessure group Ladbroke was dismissed by analysts as 'unlikely". Ladbroke closed a permy ahead at Spirits company Allied

Domecq tumbled after Cazenove, the group's joint broker, was said to have downgraded profits expectations. The shares fell 17 to 512p.

Cazenove was reported to have reduced its current year profits forecast by £30m to 2665m, though there are forecasts in the market as low as £635m. The company is to held its annual meeting next week and analysts said they would be watching developments for further signs of weakness in Allied's markets.

Expectations that Greenalls Group would become a constituent of the FTSE 100 index. leter confirmed, helped the shares firm 10% to 608%p. Retailer Marks and Spences eased 3 to 435%p, in trade of 3.5m, after NatWest Securities

downgraded its recommendation from "boy" to "hold". The broker published a detailed note on the retail sector yesterday and said of M&S: "We see no scope for extended

NatWest also reiterated its

FT-SE 100 FT-SE Md 250 FT-SE Mid 260 ex Inv Trusts FT-SE-A 350

FT-SE-A 350 Higher Yield

latter eased e penny to 618p, on profit-taking. Engineering and defence group British Aerospace advanced 5 to 890p, boosted by

reports that British Airways is about to place a £1hn regional jets order with Aero International, a joint venture with sevaral European companies of which BAe is part. BA firmed 8

Investment buying, a director buying share options and a strong US market combined to make Siebe a good market. The

shares rose 11 to 782p.
Transport stock P&O moved forward 11 to 561p as the market continued to speculate abont e £1bn disposal pro-

LONDON RECENT ISSUES: EQUITIES

Peter John.

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National Bank Of Hungary U.S. \$100,000,000 Floating Rate Notes due 2000

Pursuant to Note conditions, notice is hereby given that for the interest period 31st January, 1996 to 31st July, 1996 (182 days), the

15 YEAR LONG-TERM NOTES (Coupon No. 23) Rate per amum: 6% Amount per coupon: U.S.\$ 303.33 Payable on: 31st July, 1996 3 YEAR SHORT-TERM NOTES (Variable Coupon Numbers) Rate not applied at present



The Long-Term Credit Bank of Japan, Limited London Branch Agent Bank

U.S. \$300.000.000 Canadian Imperial Bank of Commerce (A Canadian Chartered Bank)

Floating Rate Debenture Notes due 2084 Notice is hereby given that for the six months interest period from January 31, 1996 to July 31, 1996 the Debenture Notes will carry an interest rate of 5.625% per annum. The interest payable on the relevant interest payment date, July 31, 1996 against Coupon No. 22 will be U.S. \$284.38 and U.S. \$7,108.50 respectively for Debenture Notes in denominations of U.S. \$10,000 and U.S. \$250,000.

By: The Chase Manhattan Bank, N.A. London, Agent Bank January 31, 1996



Sakura Finance Asia Limited

Mitsui Finance Asia Limited U.S.\$150,000,000

Guaranteed Floating Rate Notes 1997 In accordance with the provisions of the Notes, notice is hereby given that for the three month period 31st January, 1996 to but excluding 30th April, 1996 the Notes will carry an interest Rate of 5.75% per annum. Coupon will be U.S.\$143.75 on the Notes of U.S.\$10,000.

SAKURA TRUST INTERNATIONAL LIMITED

Agent Bank 31st January, 1996 THE -44 1624 \$15544 Fac -44 1624 \$166 Tolone BECHAND COOK, ESc. Tel: +44 171 355 1996 Fac: +44 171 495 397 19 Kong BART DEDERR, LLM Tel: +852 25228172 Fac: +852 25211199 A ISDNM NERCEO, Esq. Tel: +1 714 854 3344 Fac: +1 714 854 4967

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£200,000,000 Floating Raze Notes that 1997
Notes is hereby given that for the interest Pestod John January, 1996 to John April, 1996, the Notes will carry a Raze of interest of 6,4375 per cons. per measure. The Antonet of interest per £100,000 Note will be £1,600.58, payable on 36th April, 1996.

> ECU 300,000,000 Kingdom of Belgium Floating Rate Notes due 2000 For the period from January 31, 1996 to April 30, 1996 the Notes will carry an interest rate of 4% per amum with an interest amount of

By: The Close Manhallas Bank, N.A. Lunder, Agent Bank

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ACIN 005 357 522 and leading liability on the Sac

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Financial Times on Tuesdays, Fridays and Saturdays.

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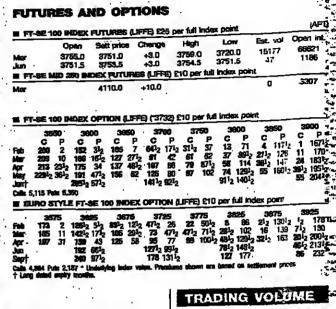
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TIMES WEDNESDAY JANUARY 31 1996

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FINANCIAL TIMES

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rate reduction lift indices

helped the Dow, which is

weighted towards that sector,

outperform the more broadly

based S&P. The Morgan Stan-

ley index of cyclical shares was

part index of consumer goods

Also boosting the Dow's per-formance was a healthy earn-

ings report from General

Motors - the largest automo-

hile manufacturer in the IIS

and a component of the Dow.

Shares in GM added \$1% or 3

per cent to \$54% after the com-

pany reported fourth quarter

earnings of \$1.98 a share, 67

cents a share ahead of the

in the Dow included Du Pont,

up \$1% at \$76%. Aluminum

Company of America, \$1%

stronger at \$55% and Union

Carbide, which moved ahead

The Dow also received a

boost from a rise in the price of

Merck, on the heels of an

announcement that it had

made a substantial advance in the hattle against Aids with its drug Crixivan. Studies found that the drug reduced that lev-

els of HIV, the virus that causes Aids, when taken with two other Aids drugs, AZT and DDI. Shares in the drug com-

American Depositary

Receipts of Glaxo Wellcome

which makes AZT, climbed

\$11 to \$28% and Bristol-Myers

Squibb, which makes DDL

Toronto drove further into

record territory, powered by an

influx of retirement fund cash.

higher gold prices and falling rates. The TSE-300 Composite

index was 27.12 higher by noon

at 4,976.33 in heavy volume of

50.9m shares as investors also

kept a close eye on the US Fed-

eral Open Market Committee

meeting for any sign of a move

on interest rates that might

Televisa receded 3 per cent

gains in the past few sessions

after Grupo Alameda, which

owns Televisa stock, restruc-

SANTIAGO recovered from

The selective IPSA index,

early losses on bargain hunt-

ing by foreign investors.

tured its debt

pany jumped \$11/4 et \$70.

added \$14 at \$881/4.

Canada

\$1% to \$41%.

Other rising cyclical shares

mean forecast from analysts,

1.7 per cent up and its counter-

companies rose 0.7 per cent.

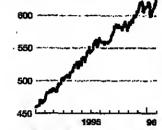
Wall Street

Hopes that the Federal Reserve would cut interest rates today sant US shares further into record territory in midday trading yesterday, writes Lisa Bransten in New York.

In the early afternoon, the Dow Jones Industrial Average was more than 50 points higher, triggering the "downtick rule" that restricts program buying.

By 1 pm, however, the index was off the session's high with a gain of 47.69 at 5,352.67. The Standard & Poor's 500 was 4.20 higher at 628.42 and the American Stock Exchange composite rose 2.26 to 549.92. The technology-rich Nasdaq composite was

US S&P 500 Composite



up 7.89 at 1,050.40, NYSE volume was 263m shares.

Weak economic data added to the growing consensus that the Fed would ease monetary policy at the conclusion of its two-day Open Market Committee meeting that began yesterday. Retail sales rose 0.3 per cent in December, making 1995 the worst year for retailers since 1991, and consumer confidence fell sharply in January, dampening prospects that sales would rebound in the near

Hopes for looser monetary policy led to another day of gains for cyclical shares and

Mexico City reversed an early

gain and was lower in thin

trade before midday as inves-

tors took profits and waited for

signs from the money market

The IPC index was off 23.73

Dealers remarked that trad-

Banorte, the financial group,

surrendered 4.4 per cent after

reporting a slightly lower 1995

net profit compared with the

ing had really slowed down in

at 3.064.26. Volume was weak

on interest rates

at 21m shares.

the past two days.

Hopes for US Paris rises above 2,000 after banks cut rates

The cut in base lending rates and a savings rate gave PARIS a kick start and the CAC-40 index closed above the 2,000 level for the first time since

Mr Simon Hopkins at Nomura in Paris said that there was heavy US institutional buying during the afternoon, which could possibly be put down to programme trad-ing. The interest rate picture was the cue for huying, he added, and there was a feeling that the cut in the savings rate could now encourage domestic investors to re-enter the equity The index rose 22.45 to

2,003.13, just off am intra-day high of 2,004.43. Turnover reflected the positive interest being shown, topping FFr5.7bn. Bonygues was suspended throughout the day at FFr532 expected a 1995 loss of FFr4bn after making a provision of FFr4.4hn. But the company also said it expected to make a profit this year. Trading was due to resume this morning, and some dealers said that they were not expecting a heavy sell-off. With interest rates on the decline, those companies, such as Bouygues,

with exposure to the property sector could now be expected

growth.



to turn the corner, they remarked.

Among laggards, Accor gained FFr17 at FFr670 and Alcatel Alsthom FFr15.90 at FFr456.50. Among banks, Suez rose FFr5 to FFr183.70, and Paribas FFr4.50 to FFr364.80 in spite of reporting a loss at its

STOCKHOLM leapt 1.8 per cent on news that the central bank had cut its key repo rate to 8.45 per cent from 8.66 per cent. The Affärsvärlden index picked up 30.3 to 1,749.6 as analysts commented that the unexpected rates cut indicated a shift in central bank policy away from currency stability

Rate-sensitive hanks and insurers were among the day's best performers. S-E Banken climbed SKr2 to SKr52 and Handelshanken gained SKr3 to SKr129.5. Skandia, tha insurer, rose SKr2 to SKr174 Electrolux jumped SKr14 to

SKr289 after presenting stronger than expected annual FRANKFURT was saved by a round of buying towards the close. The Dax finished 10.26

down at 2,435.79, while the Ibis

pushed higher to end at 2.456.09 Deutsche Bank rose in early floor trading to a new 52-week peak of DM73.70 after the bank said it would pay a higher dividend for 1895, before settling back to end 5 pfgs lower at DM73.35. In the Ibis the bank

made 87 pigs to DM73.57. Thyssen, the steel and engi neering group, slipped DM3.60 to DM285, and then rose to DM286.40 in the Ibis in line with the market, after its profits forecast for the year to the end of September 1996. Analysts were expected to downgrade earnings estimates, but most were waiting until a meeting with the company on Friday before saving more

ZURICH recouped 1.2 per

FT-SE Actuaries Share Indices

THE PUROPEAN SERIES 10.30 11.00 12.00 12.00 14.00 15.00 Glose Hourly changes FT-SE Entreack 100 1542.41 1542.24 1542.70 1541.49 1541.72 1543.34 1547.74 1549.40 FT-SE Entreack 200 1648.14 1548.22 1648.28 1647.15 1848.25 1649.56 1654.85 1656.45 Jen 25 Jun 29

firming dollar, the strong start on Wall Street and rising bond futures providing support. The SMI index picked up 38.6 to

3 236 8 Credit Suisse Research noted that the equity market had fallen almost 7 per cent since its peak on January 4, rocked by the sudden fall in yields in nds. However, it believed that an expected calming on the bond market would halt the stock price slida and allow equities to resume an unward trend during the first quarter of the year.

Financials benefited from the recovery in bond futures. UBS bearers, very volatile recently, picked np SFr32 to SFr1.271. The insurance sector, particularly hard hit and losing

about 10 per cent of its value since the start of the year, also put in a strong performance.

per cent to SFr1.237, profiting from several recom AMSTERDAM had a dismal day in contrast to its neighbours. The AEX index lost 2.87 to 502.74, but was up from a

low of 501.06. There were still speculative buyers in Fokker, which rose another 30 cents to Fl 4.60. KLM sank Fl 3.50 to Fl 50.40 after third-quarter figures

failed to please MILAN continued to press higher on suggestions that President Oscar Luigi Scalfaro was keen to avoid a snap general election as a way out of Italy's political crisis. The Comit index rose 6.99 to 613.77 and the real-time Mibtel index added 146 at 9.841 as the president began a third and final

round of negotiations with parliamentary groups.

Banks were in demand, par-tially on hopes that a clarifica-

of the political scene

would permit the Bank of Italy to cut interest rates. IMI was up L247 to L10,546, while BCI gained La6 to L3,603 and Medichanca moved forward

L287 to L10,832 Eni, the energy giant picked up L78 to L5,920 on further

strong foreign buying Telecoms also found foreign demand, with Telecom Italia up L58 to L2,746 and Stet gaining L75 to L4,747. Against the trend, Rinas-

cente, the retailer lost L73 to L10,096 after the group released 1995 sales figures. WARSAW eased slightly. having set three consecutive 52-week highs and breaking the 10,000 barrier at the start of the week. The Wig index lost 0.1 per cent to 10,171. as turn-

over slipped 20 per cent to 180.8m zlotys. VIENNA made further progress as the ATX index posted a rise of 5.55 at 1,076.5 after dipping to a low of 1,063.92. The leading gainer was Austria Mikro Systeme, up Sch55 to Schl,615 hut off a high of

Sch1.630. OMV added Sch2 at Sch987 and said it expected 1995 pretax profits to exceed Sch2hn, as against 1994's Sch839m.

Written and edited by Michael

Growing hopes for economic recovery support Nikkei

Tokyo

Another overnight recordbreaking rally on Wall Street, combined with hopes for a Japanese economic recovery, supported investor confidence and lifted the Nikkei, writes Emiko Terazono in Tokyo. The Nikkei 225 average put

on 133.24 at 20,722,44, after moving between 20,603.25 and 20,796.69. The third consecutive rise in Japanese industrial production figures, released on Monday, raised hopes of a steady economic recovery. Banks, which had been sold on fears of a prolonged dehate over the housing loan liquidation, were bought and led the

Volume was 570m shares. against 516.8m. The Topix index of all first section stocks rose 4.92 to 1,598.14 and the Nikkei 300 added 0.79 at 298.59. Gainers led declines by 701 to on profit-taking, having put on 337, with 174 issues unchanged. In London the ISE/Nikkel 50

index rose 3.75 to 1,400.34. Speculative stocks again led activity. Traders said individuals targeted issues which were free from the influence of foreign and institutional trading. Brokerage dealers are also joining the fray in search of

A local broker, meanwhile, noted that issues owned by Norinchukin, the agricultural financial institution which extended a large amount of loans to the housing loan companies, were active. This reflected speculation that Norinchukin might try to sup-port the prices of such shares

to take profits. In spite of this, fishing company Kyokuyo, in which Norinchukin has a 4.9 per cent stake, fell Y20 to Y850. Other Norinchukin owned companies lost ground, including Nippon Kakoh Seishi, off Y36 at Y749. Other speculative shares did better, with Takara Shuzo up

ties putting on Y30 at Y2,230. The dollar's stability supported export-oriented stocks. Car companies were higher, with Toyota Motor up Y10 to Y2,300. High-technology issues also gained ground: up Sony appreciated Y130 to Y6,430. In Osaka, the OSE average improved 55.11 to 22,118.85 in

volume of 154.9m shares.

Roundup

HONG KONG closed at a twoyear high on a fate surge driven by soaring futures and New York's record close overnight. The Hang Seng index climbed 142,49 or 1.3 per cent to 11,201.46 in turnover that picked up to HK\$6.5bn. Banks, especially smaller

ones, were stronger after Ka Wah Bank reported positive earnings and lerger than expected inner reserves under new disclosure rules on Monday. Ka Wah was un 15 cents at HK\$2.75. Bank of East Asia advanced HK\$1.40 to HK\$32.80. aided also by talk of a covered warrant issue, and HSBC gained HK\$1 at HK\$126.

Sun Hung Kai Properties jumped HK\$2.25 to HK\$72.25 and New World was ahead 70 cents at HK\$37.70. Recently underperforming

utilities bounced. HK Electric rose 45 cents to HK\$26.30 and China Gas moved ahead 30 cents to HK\$13.85.

TAIPEI saw a wave of late huying lift share prices after the island's radio reported that the Chinese Premier Li Peng had not made any mention of a timetable for remification in a speech delivered yesterday in

The weighted index, which had fallen sharply on Monday on worries about Chinese intentions towards the island, rose 111.50 or 2.4 per cent to 4,803.80. Turnover came to T\$22.8bn. China Steel gained 60 cents or 3 per cent at T\$20.3. SINGAPORE rehounded from early losses on bargain hunting, with some UK funds said to be among the buyers. The Straits Times Industrial

index ended 0.39 off at 2,423.68,

but np from a low of 2,410.02.

Amcol was actively traded.

said that its former managing director, Kang Hwi Wah, had agreed to sell 8.7 per cent of the company to the Transmarco chief, Sukamto Sia, at S\$4.50 a share. KUALA LUMPUR recovered from a weak morning, when

picking up 8 cents to \$\$4.22. After the close of trading, the

trading and property group

interest rate worries drove prices down, as selective bargain hunting hy both institu-tions and retailers nudged prices higher. The composite index finished 11.63 ahead at 1.052.88.

PhileoAllied immped 75 cents to M\$10.30 after announcing a three-for-one honus proposal. Idris gained 6 cents at M33.84 on news that it had been awarded a new large forest concession in Sabah.

After their recent pause, sec-ond liners were again driven up by speculative huying. Pegi rose 21 cents to M\$2.95 on revived rumours of an asset injection and takeover. SEQUL closed firmer in rela-

tively active trade after late profit-taking wiped out the bulk of earlier gains. The composite index ended 2.3 ahead at 875.45 after touching 881.60. industrial output growth con-

The announcement that tinued to slow in December was in line with forecasts and had little immediate impact on the market

Chong Gn Construction went the day's limit down, weakening Won1,000 to Won15,900, on news that it had been sued by would be residents of one of its Seoul apartment projects over alleged excessive charges.

Most preferred stocks, which accrue higher dividend payments than common shares. rose as local madia reported details of new rules requiring companies to base their dividend payouts on market share prices instead of par values.

BANGKOK rallied 1.2 per cent as investors bought leading finance and bank shares. The SET index moved up 16.89 to 1,393.34 on turnover of Bt7.6bn, Krung Thai Bank was the most active issua and rose Bt5 to Bt130.

SYDNEY was defeated by profit-taking as the All Ordinaries index lost 13.5 to 2,265.8. Volume totalled 298.2m shares worth A\$545.5m, with declines leading rises by 462 to 391. Advance Bank gained 35 cents at A\$11.80 after a high of A\$12.00 following results. Brokers said investors sold National Australia Bank and ANZ to hny Advance. NAB made 5 cents 10 A\$12.82

after a high of A\$12.37, while ANZ shed 10 cents to A\$6.73. The gold shares index fell 36.9 to 2.157.2, with Gold Mines of Kalgoorlie down 3 cents at A\$L47 and Newcrest Mining 22

cents cheaper at A\$6.25. MANTLA failed to reverse early selling of leading issues as fears of a possible rise in inflation triggered profitslipped 18.20 to 2.860.38, up from the session's low of 2.844.20, in volume of 2.8hn shares worth 1.8hn pesos. BOMBAY was propelled higher hy heavy short covering, triggered by large short sold positions, and the BSE-30

index rose 37.74 to 2.909.92.

Jan. 1996

がお田野の屋を

previous year. 3.6bn pesos.

Mexico loses gain

Johanneshurg finished mixed picked up 23.4 to 1,730.4. after a firmer hullion price rejnvenated gold shares, but industrials lost ground on uncertainty over short-term

Dealers noted that industrials had fallen throughout the day, consolidating after last week's strong run, and knocked hy Monday's poor December M3 money supply figure, which dashed hopes of an early interest rate cnt.

The overall index was down 7.2 to 6,930, industrials shed 25.3 to 8,667.3 and golds

On the gold board, gaining issues included Vaal Reefs, up R9 to R379, Gold Flelds, R3 ahead at R133, and Freegold. which firmed R1.25 to R38.75. The heavily weighted con-

pulp and paper producer Sappi slipped R1.25 to R49.50. with its decline tempered hy the gains in gold shares.

receded 50 cents to R40.25 and

S African golds rejuvenated

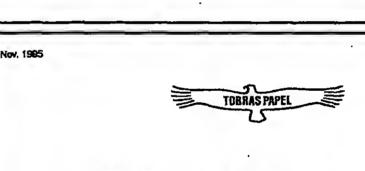
glomerate Sonth African Breweries skidded R2 to R137.50, while Remgro

Anglo American relinquished 50 cents to R271.50.

which had fallen 3 per cent over the last week, finished short-term profits. the first round down 0.7 per cent at 93.69. The general IGPA index slipped 0.3 per cent to 5,640.07 points in volume of

> Y90 to Y1,330 and Rythm Watch, the day's most active

> stock, rising Y16 to Y480. Bank stocks improved, Sumitomo Bank firming Y10 to Y2,040. Brokars were also higher, with Nomura Securi-



GRUPO PAPELERO TORRAS would like to express their appreciation to the banks who participated in rescheduling the following long-medium term facilities:

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B. BEF 1,737,122,574

c. ESP 4,000,000,000 D. ESP 1,500,000,000 E. ESP 560,000,000

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Having prepaid 6 instalments of facilities A & B, maturing in years 2002, 2003 and 2004 Our financial and legal teams for negotiating the transaction directly with the banks

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FT/S&P ACTUARIES WORLD INDICES NATIONAL AND REGIONAL MARKETS Local Local Currency % chg Index on day Index Index Index High Low 9 1 128.81 148.09 171.90 156.40 157.85 1 124.28 142.85 142.71 189.28 157.48 1 104.96 120.55 279.99 180.23 96.06 3 104.96 120.55 279.99 180.23 96.06 3 103.08 118.51 152.91 154.41 121.81 1 207.25 231.38 234.02 302.74 282.41 1 118.54 138.29 168.11 276.11 171.13 1 122.06 140.33 145.39 181.17 159.08 1 113.50 130.49 170.83 138.47 297.19 334.79 428.68 431.84 290.53 1 72.07 187.83 230.70 262.70 265.41 1 50.94 57.88 39.38 82.71 66.45 5 101.97 117.23 101.97 164.82 136.95 3 811.21 302.98 1765.37 1237.14 447.81 1 81.23 80.16 61.87 86.49 72.27 1 292.34 344.15 289.88 445.07 335.76 1 292.35 307.96 348.35 438.21 281.05 1 109.79 126.23 156.01 168.91 124.10 1 109.79 126.23 156.01 168.91 124.10 1 109.43 229.29 304.60 324.31 222.23 1 128.17 143.91 182.56 188.57 130.15 1 129.43 177.38 154.32 238.55 152.89 1 128.17 143.91 182.56 188.57 130.15 Index Index 130,40 149,50 125,07 143,39 142,20 163,02 104,95 119,90 104,05 119,28 200,71 230,10 119,32 136,79 122,96 140,99 114,42 131,17 289,47 331,86 172,64 197,92 50,51 57,91 101,60 116,47 339,78 389,51 815,30 934,99 184,39 211,39 53,01 60,77 151,75 173,97 285,94 339,28 173.95 Australia (B1). 143.21 158.83 279.56 154.26 233.02 169.22 148.20 131.17 426.53 230.97 89.59 101.60 496.84 207.49 152.61 151.82 282.87 174.10 179.45 166.96 422.39 251.91 73.70 148.57 1189.67 221.43 431.94 427.00 158.91 290.36 215.61 182.20 222.70 250.05 9774.83 151.75 173.97 198.02 295.94 339.28 287.10 282.62 335.47 348.96 108.90 124.85 154.22 196.98 226.13 305.50 147.76 169.40 164.43 124.87 143.15 182.25 152.62 174.97 222.70 171.37 186.46 254.32 219.29 185.52 183.09 225.82 222.74 253.30 249.85 156.84 179.58 105.42 134.18 153.83 174.55 179.21 205.46 236.14 110.14 126.26 113.20 120.08 137.67 136.50 167.19 137.67 136.50 121.14 138.88 147.72 189.49 217.24 248.47 121.41 139.19 140.89 135.13 154.91 168.71 156.25 179.13 219.42 231.50 228.35 198.39 195.69 266.11 262.48 163.90 161.66 176.16 175.73 247.07 243.70 179.04 176.59 281.77 277.92 180.09 177.63 200.17 197.44 228.57 195.79 261.61 160.71 175.22 243.96 176.77 2.24 3.03 1.86 1.10 2.04 2.25 2.39 2.57 2.06 1.94 2.57 156.10 179.47 194.63 232.47 176.22 0.4 -0.1 -0.3 0.0 0.4 -0.2 0.1 0.2 0.4 0.2 0.1 -0.3 -0.1 0.4 0.2 -0.2 -0.1 0.1 133.77 153.80 174.28 179.44 206.30 235.87 110.52 127.06 113.58 120.13 136.12 136.64 166.60 191.54 246.52 120.73 138.80 147.35 North America (733) ..179.78 202.85 0.2 199.45 136.69 156.70 173.55 0.1 2.15 202.46 199.70 136.52 156.96 173.34 204.65 169.25 169.25 The World Index (2389).....